This Prospectus is being displayed in the website to make the Prospectus accessible to more investors. The PSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness of this Prospectus and disclaims any liability whatsoever for any loss arising from or reliance in whole or in part on the contents of this Prospectus.

Integrated Micro-Electronics, Inc.
(incorporated in the Republic of the Philippines)

Prospectus Relating to the ₱5.0 Billion Rights Offer
of 350,000,000 Common Shares with a par value of ₱1.00 per Share (the "Rights Shares")
to be offered at ₱ 14.28 per Rights Share (the "Offer Price"),

at a Ratio of one Rights Share for every 5.3351 Common Shares Held as of Record Date
to be listed and traded on The Philippine Stock Exchange, Inc.

Sole Issue Manager, Bookrunner, and Underwriter

BPI Capital Corporation is a wholly-owned subsidiary of Bank of the Philippine Islands (the "Bank"). The capital stock of the Company is effectively 50.64% held by AC Industrial Technology Holdings, Inc. ("ACI"). ACI is a wholly-owned subsidiary of Ayala Corporation, which also effectively holds 50.57% of the Bank. For further information, see: Plan of Distribution section on page 51 and Related Party Transactions section on page 133.

The date of this Prospectus is 7 February 2018

THE OFFER OF THE RIGHTS SHARES IS EXEMPT FROM REGISTRATION PURSUANT TO SECTION 10.1(e) OF THE PHILIPPINE SECURITIES AND REGULATION CODE AND, ACCORDINGLY THE RIGHTS SHARES HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION ("SEC") UNDER THE SECURITIES REGULATION CODE AND ANY FUTURE OFFER OR SALE OF THE SECURITIES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION. A CONFIRMATION OF EXEMPTION FROM REGISTRATION OF THE RIGHTS SHARES HAS BEEN OBTAINED FROM THE SEC ON 19 DECEMBER 2017.

Integrated Micro-Electronics, Inc.
North Science Avenue,
Laguna Technopark – SEPZ (LT-SEZ)
Biñan, Laguna
Telephone Number: +63-2-7566840
Corporate Website: www.global-imi.com

This Prospectus relates to the offering for subscription (the "Offer") of 350,000,000 Common Shares (the "Rights Shares" or "Offer Shares") with a par value of ₱1.00 per share of Integrated Micro-Electronics, Inc. ("IMI" or the "Company") by way of a stock rights offering to existing shareholders of record of Common Shares of IMI (the "Eligible Shareholders") at the proportion of one (1) Rights Share for every 5.3351 existing Common Shares held as of February 14, 2018 ("the Record Date"), at an offer price of ₱14.28 per Rights Share (the "Offer Price"). Any fractional share shall be disregarded and will be rounded down to the nearest whole number in the computation of the Rights Shares that Eligible Shareholders will be entitled to. The determination of the Offer Price is further discussed on page 56 of this Prospectus.

BPI Capital Corporation shall act as the Sole Issue Manager, Bookrunner, and Underwriter ("BPI Capital" or the "Underwriter") and will firmly underwrite the Offer. In this connection, AC Industrial Technology Holdings, Inc. ("ACI"), IMI"s parent company, and Resins Incorporated ("Resins"), which beneficially own an aggregate of 63.46% of the Company, have committed and undertaken to the Company and the Underwriter that it shall subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. Thus, if any shareholder fails to subscribe to all the Rights Shares, ACI and Resins will take up any remaining unsubscribed Rights Shares after the mandatory second round of the Offer to ensure that the Rights Shares covered by the Offer are fully subscribed. In the event that the Rights Shares are not fully subscribed by the Eligible Shareholders and ACI and Resins, the Rights Shares will be firmly underwritten, as required by the PSE, by BPI Capital Corporation. See "Plan of Distribution" on page 51.

The Rights Shares are being offered to Eligible Shareholders consisting of holders of Common Shares as of the Record Date or that have subscribed to such Common Shares as of the Record Date that are: (i) located inside the Philippines; or (ii) located in jurisdictions outside the Philippines and outside the United States where it is legal to participate in the Offer under the securities laws of such jurisdictions without requiring registration or the need to obtain regulatory approvals under such laws.

The Company retains the discretion to reject an Application at any time if it believes, or has reason to believe, that such Application or an acceptance thereof may breach applicable laws of jurisdictions outside the Philippines. The authorized capital stock of the Company is ₱2,450,000,000.00 divided into 2,250,000,000 Common Shares, with par value of ₱1.00 per Common Share and 200,000,000 Preferred Shares, with par value of ₱1.00 per Preferred Share.

As of 31 October 2017, 1,867,293,215 Common Shares are outstanding. After the Offer, the Company will have 2,217,293,215 issued and outstanding Common Shares. The 350,000,000 additional Common Shares issued as a result of the Offer comprise 15.79% of the total issued and outstanding Common Shares of the Company after the Rights Offer.

The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Common Shares, save for any dividends, rights, allotments, and other distributions, the record dates of which fall before the date of allotment and issue of the Rights Shares. The Common Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law and restrictions as may apply to them in the jurisdiction of citizenship and/or domicile. See "Summary of the Rights Offer", "Risk Factors" and "Description of the Shares" on page 17, 30 and 136, respectively.

Each holder of the Common Shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board"), provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock. The Corporation Code of the Philippines, Batas Pambansa Blg. 68 (the "Philippine Corporation Code"), has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The Company currently does not have a minimum dividend policy: the payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. Nevertheless, the Company has been consistently paying out cash dividends annually. Please see "Dividends and Dividend Policy" beginning on page 53 of this Prospectus.

The Company's Common Shares are (and, upon close of the Offer, the Rights Shares will be) listed on the Philippine Stock Exchange, Inc. ("PSE") under the symbol "IMI". On 6 February 2018, the closing price of the Company's Common Shares on the PSE was ₱19.98 per Common Share.

The Company files annual and interim reports, as well as other information, with the Philippine Stock Exchange ("PSE"). The information filed by the Company with the PSE does not form part of this Prospectus, is not incorporated by reference herein, and should not be relied on when making an investment decision with respect to the Rights Shares.

The Offer is conditioned on the listing of the Rights Shares on the PSE. The approval of the PSE of the Offer is based on the price set forth above. The Company expects to raise gross proceeds of ₱5.0 billion from the Offer. After deducting the listing fees, taxes and other expenses related to the Offer, the net proceeds from the Offer is estimated to be ₱4.967 billion. The net proceeds from the Offer will be used primarily to for the Company's capital expenditure requirements and debt refinancing. See "Use of Proceeds" on page 48.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or the Underwriter. The distribution of the Prospectus and the offer and sale of the Rights Shares may, in certain jurisdictions, be restricted by law. The Company and the Underwriter require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions.

NOTHING IN THIS PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE RIGHTS SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE RIGHTS SHARES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Unless the context clearly indicates otherwise, any reference to the Company refers to IMI on a consolidated basis, including its consolidated subsidiaries and associates. The information contained in this Prospectus relating to the IMI, its operations and those of its subsidiaries and associates has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that, as of the date of this Prospectus, the information contained in this Prospectus relating solely to the Company, its operations and those of its subsidiaries and associates is true and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

Prospective investors must conduct their own evaluation of the Company and the terms and conditions of the Offer, including the merits and risks involved. Please refer to "Risks Relating To The Rights Shares" discussed on page 42 of this Prospectus. The readers of this Prospectus are further enjoined to consult their financial advisers, tax consultants and other professional advisers with respect to the acquisition, holding, or disposal of the Rights Shares described herein.

Market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Company nor the Underwriter does not make any representation as to the accuracy of such information.

The Company and the Underwriter have exercised due diligence in ascertaining that all material representations contained in this Prospectus and any amendments and supplements are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

In this Prospectus, references to "Pesos" or "₱" are to the lawful currency of the Philippines. The Company maintains its accounts in U.S. Dollars. References to "U.S. Dollars", "US$" or "$" are to the lawful currency of the United States of America. This Prospectus contains translations of certain amounts into U.S. Dollars at specified rates solely for the convenience of the reader. In addition, unless otherwise indicated, US Dollar/Philippine Peso exchange rates referred to in this =Prospectus are Philippine Dealing System weighted average rates for the indicated period or on the applicable date, as relevant. No representation is made that the Peso, U.S. Dollar, or other currency amounts referred to herein could have been or could be converted into Pesos, U.S. Dollars, or any other currency, as the case may be, at this rate, at any particular rate or at all. Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. The words "believes," "may," "will," "estimates," "continues," "anticipates," "intends," "expects" and similar words are intended to identify forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. The

Company's actual results could differ substantially from those anticipated in the Company's forward-looking statements.

On 29 November 2017, the Company filed with the Philippines Securities and Exchange Commission) the "SEC") Form 10.1 Notice of Confirmation of Exempt Transaction covering the Common Shares to be issued relative to the Company's Offer, pursuant to Section 10.1(e) of the Securities and Regulation Code ("SRC") under which the exemption is based. The Company has obtained the SEC confirmation on 19 December 2017.

The Company filed its application for the listing and trading of the Rights Shares with the PSE on 5 December 2017. The PSE approved the application to list the Rights Shares on 24 January 2018. The PSE assumes no responsibility for the correctness of any of the statements, opinions and reports made or expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Rights Shares by the PSE.

THE OFFER OF THE RIGHTS SHARES IS EXEMPT PURSUANT TO SECTION 10.1 OF THE SECURITIES AND REGULATION CODE AND, ACCORDINGLY THE RIGHTS SHARES HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE AND ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE SECURITIES REGULATION CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

Integrated Micro-Electronics, Inc.

By:

Jerome S. Tan
Chief Financial Officer

Republic of the Philippines)
City of Makati) s.s.

Before me, a notary public in and for the city named above, personally appeared with **Passport No. E5376564C** issued at Singapore on **11 February 2015**, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this ___day of FEB 07 2018 2018 at Makati City,

Doc No. 184 :
Page No. 038 :
Book No. 1 :
Series of 2018

ATTY. DENISE ANNE V. SALES
Commission No. M-492
Notary Public for Makati City
Until December 31, 2018
21st Floor, Philamlife Tower
8767 Paseo de Roxas, Makati City.
Roll No. 70156
PTR No. 6616329 / 04-JAN.-2018 / MAKATI CITY
IBP No. 004848 / LIFETIME / RSM

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

ADAS	Advanced Driver Assisted System
Application	the document to be accomplished and executed by Eligible Shareholders subscribing to the Stock Rights Offering
Articles	the Articles of Incorporation of the Company
Banking Day or Business Day	shall be used interchangeably to refer to any day, except Saturday and Sunday, on which commercial banks are open for business with BSP check clearing facilities in Makati City, Metro Manila
BIR	Bureau of Internal Revenue
Board of Directors or Board	the board of directors of the Company
BOI	Board of Investments
BPI Capital	BPI Capital Corporation
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
By-Laws	the By-Laws of the Company, as amended
CAGR	compound annual growth rate
Common Shares	common shares of the Company with a par value of ₱1.00 per share
Company or Group or Issuer or IMI	Integrated Micro-Electronics, Inc., a corporation incorporated in the Philippines, references to the Company include references to its Subsidiaries, unless the context otherwise requires
Congress	the Congress of the Philippines, which is comprised of the House of Representatives and the Senate, collectively
Debt-to-Equity Ratio	the Company's total bank borrowings divided by its total equity attributable to the equity holders of the Parent Company as described in the Consolidated Financial Statements included in this Prospectus
Director(s)	the director(s) of the Company
DPPM	defective parts per million, a Six Sigma metric used in manufacturing to measure quality performance
EDGE	the Philippine Stock Exchange, Inc. Electronic Disclosure Generation Technology
Eligible Shareholders	holders of Common Shares as of the Record Date or that have subscribed to such Common Shares as of the Record Date that are: (i) located inside the Philippines; or (ii) located in jurisdictions outside the Philippines and

outside the United States where it is legal to participate in the Offer under the securities laws of such jurisdictions without requiring registration or the need to obtain regulatory approvals under such laws.

The Company retains the discretion to reject an Application at any time if it believes, or has reason to believe, that such Application or an acceptance thereof may breach applicable laws of jurisdictions outside the Philippines.

EBITDA	net operating income after adding depreciation and amortization, cost of share-based payments and foreign exchange gains (losses)
EMS	Electronics manufacturing services
ETF	Exchange Traded Fund
E.O. 226	Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987
Government	the national government of the Republic of the Philippines
Gross Margin	the Company's gross profit divided by total revenue as described in the Consolidated Financial Statements included in this Prospectus
IMI Japan	IMI Japan, Inc.
IMI Singapore	IMI International (Singapore) Pte. Ltd., which holds the subsidiaries in China, Europe (Bulgaria, Czech Republic), Mexico, Germany and United Kingdom
IMI UK	Integrated Micro-Electronics UK Limited, subsidiary in UK which holds ownership of Surface Technology International Enterprises Limited (STI)
IMI USA	IMI USA, Inc.
IPP	Investment Priorities Plan, an annual publication by the BOI that defines the areas of business that it intends to promote
IRO	Investor Relations Officer
IRRs	Implementing Rules and Regulations of the SRC, as amended
IT	information technology
LEAN	a systematic approach in identifying and eliminating wastes (non-value added activities) through continuous improvement by flowing the product at the pull of the customer
Listing	listing of the Rights Shares on the Main Board of the PSE
Listing Date	date on which trading of the Rights Shares on the PSE begins on March 2, 2018
Management	persons having the authority and responsibility for planning, directing and controlling the activities of the entity
MPO	minimum public ownership

Net Income Margin	the Company's net income attributable to equity holders of the Parent Company divided by total revenue as described in the Consolidated Financial Statements included in this Prospectus
ODM	original design manufacturer
OEMs	original equipment manufacturers
Offer or Rights Offer	offering for subscription to Eligible Shareholders of the Rights Shares by the Issuer as of Record Date, subject to the terms and conditions as herein contained
Offer Period	commencing on February 19, 2018, 9:00 a.m. and ending on February 23, 2018 at 12:00 p.m., Manila time. The Company and the Underwriter reserve the right to extend or terminate the Offer Period with the approval of the PSE.
Offer Price	₱14.28 per Rights Share the price at which the Rights Shares are to be subscribed pursuant to the Offer.
Offer Shares or Rights Shares	350,000,000 common shares of the Company being offered to Eligible Shareholders as of the Record Date at a ratio of one Rights Share for every 5.3351 Common Shares held as of Record Date.
PCBA	printed circuit board assembly
PCD or PCD Nominee	PCD Nominee Corporation, a corporation wholly-owned by the PDTC
PDTC	the Philippine Depositary & Trust Corporation
Pesos, Philippine Pesos, ₱, and Philippine currency	the legal currency of the Republic of the Philippines
PFRS	Philippine Financial Reporting Standards
Philippine Constitution	also known as the 1987 Constitution of the Republic of the Philippines
Philippine Corporation Code	*Batas Pambansa Blg. 68*, also known as the Corporation Code of the Philippines
Pricing Date	shall refer to February 7, 2018
Principal Shareholders	AC Industrial Technology Holdings, Inc., Resins, Inc. (thru PCD), and EPIQ N.V.
P&L	Profit and Loss Statement
PSA	Philippine Standards on Auditing
PSE	The Philippine Stock Exchange, Inc.
Preferred Shares	preferred shares of the capital stock of Integrated Micro-Electronics, Inc.
PSi Technologies	PSi Technologies, Inc.

R.A.	Republic Act, which refers to a statute enacted by the Senate or the House of Representatives
Receiving Agent	BPI Stock Transfer Office, a corporation duly licensed and authorized to operate in the Philippines, with address at 6768 Ayala Avenue, Makati City, Philippines
Record Date	shall refer to February 14, 2018
Rights Entitlement	Rights Shares that each Eligible Shareholder is entitled to subscribe to, subject to the terms and conditions of the Rights Offer
RoHs	the directive referred to as "Restriction of Hazardous Substances," an initiative of the European Union and eventually adopted by the United States and Canada as a method to set maximum concentration limits on hazardous materials used in electrical and electronic equipment (namely, lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE) and help prevent dangerous chemicals from reaching landfills in large numbers, while providing additional safety to customers
SATS	Semiconductor Assembly and Test Services
SEC or PSEC	the Philippine Securities and Exchange Commission
SRC	Republic Act No. 8799, also known as the Securities Regulation Code of the Philippines
Senate	the Senate of the Philippines, one of the two branches of the Congress
Selling Agents	PSE Trading Participants
Settlement Date	the date at which payment from subscribers to the Rights Shares is due
Sole Issue Manager, Bookrunner and Underwriter	BPI Capital Corporation
SSS	the Republic of the Philippines Social Security System
STEL	Speedy-Tech Electronics Ltd., a private limited company domiciled in Singapore which has various subsidiaries in China
STI	Surface Technology International Enterprises Limited, an electronics manufacturing services (EMS) company based in the United Kingdom, with factories in Hook and Poyton in the United Kingdom and Cebu, Philippines; IMI acquired 80% of the company on 16 May 2017.
Subsidiaries	IMI Japan, IMI Singapore, IMI USA, and PSi Technologies
Unrestricted Retained Earnings	the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends, see "Dividends and Dividend Policy – Limitations and Requirements" on page 53 of this Prospectus.

Tax Code	Tax Reform Act of 1997, as amended, and its implementing rules and regulations
VIA	VIA Optronics GmbH, a Germany-based company with operations in Germany and China and sales offices in the United States America (USA) and Taiwan, is a leading manufacturer of enhanced LCD displays and provides optical bonding solutions. IMI acquired 76.01% of VIA in September 2016.
VWAP	the volume weighted average price of the Company's Common Shares traded in the PSE relative to a specific period

EXECUTIVE SUMMARY

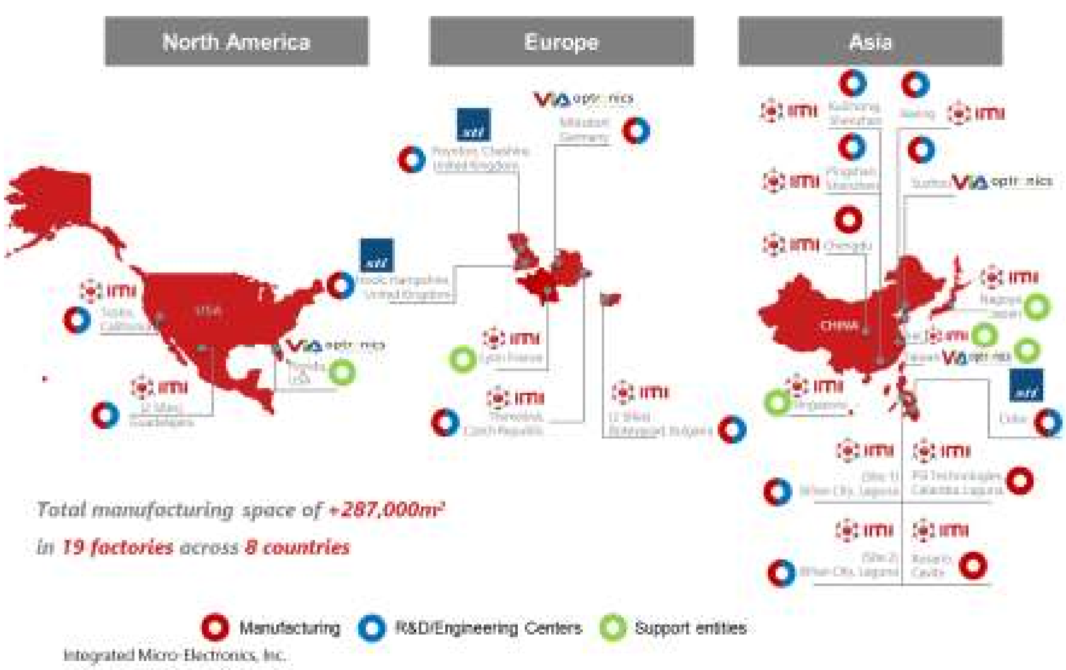
The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited consolidated financial statements and related notes included elsewhere in this Prospectus. Capitalized terms not defined in this summary are defined in the "Glossary of Terms," "Risk Factors," "Business" or elsewhere in this Prospectus.

Overview

The Company, incorporated on 8 August 1980, is one of the leading global providers and widely recognized experts of electronics manufacturing services ("EMS") and power semiconductor assembly and test services ("SATS"). The Company serves original equipment manufacturers ("OEMs") and Tier 1 customers in diversified markets, including those in the automotive, telecommunications infrastructure, industrial, medical, and consumer electronics industries. The Company's most recent acquisition marks its entry in the aerospace, security and defense sectors. The key services the Company provides are product design and engineering solutions, test and systems development, automation, advanced manufacturing engineering, new product introduction, manufacturing solutions, reliability test, failure analysis, equipment calibration capabilities and power module assembly, among others. As of 31 December 2016, the Company had revenues, EBITDA, and net income attributable to equity holders of the Parent Company of US$843.0 million, US$65.0 million, and US$28.1 million, respectively.

The Company has been able to capture a sizeable portion of the EMS market. The Company ranks 20th in the latest list of top 50 EMS providers in the world of Manufacturing Market Insider, a US-based EMS industry trade publication, determined based on 2016 EMS industry players. In the automotive segment which is the Company's key growth area, the Company ranked 6th in the latest list of top 10 EMS providers in the automotive market as of the July 2017 report of New Venture Research Corp., determined based on 2016 EMS-related revenues of various EMS providers.

As of 31 October 2017, the Company has 19 manufacturing sites with a total manufacturing space of approximately 287,376 square meters in 8 countries and a workforce of over 16,000 employees worldwide. The Company's manufacturing plants are strategically located to reach customers in China, Japan, other parts of Asia, North America and Europe. The diagram below shows the location of the Company's various facilities worldwide.



The Company's global presence allows it to provide solutions to OEMs catering to regional and international markets. Given the Company's presence worldwide, it is able to provide its customers access to a number of services and resources through its manufacturing facilities, engineering and design centers, and sales networks in Asia (China, Singapore, Japan, and the Philippines), North America (U.S. and Mexico), and Europe (Bulgaria, Czech Republic, Germany and UK).

The Company also has capabilities to offer customers low-volume/high-mix and high-volume/low mix manufacturing. These flexible capabilities of the Company allow the Company to address its customers' varying demands at various stages of product development and production. Through its facilities across continents, the Company is able to lend its expertise in design and engineering, advanced manufacturing engineering, new product introduction, and design for manufacturability and simultaneous engineering to its customers, making it an effective strategic partner for its customers in creating and introducing innovative products to the market.

The Company has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. ("IMI Singapore"), IMI USA, Inc. ("IMI USA"), IMI Japan, Inc. ("IMI Japan"), and PSi Technologies Inc. ("PSi," a Philippine corporation). These subsidiaries carry out the business of the Company through various operating entities organized in different jurisdictions. See "Subsidiaries" beginning on page 108 of this Prospectus. See also the chart under "Business - Corporate Structure" on page 97 of this Prospectus for an illustration on the various subsidiaries and operating entities of the Company.

On 21 January 2010, the Company was listed by way of introduction in the PSE. Subsequently, it has completed its follow-on offering and listing of 215,000,000 common shares on 5 December 2014. IMI is registered with the Philippine Economic Zone Authority ("PEZA") as an exporter of printed circuit board assembly ("PCBA"), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems.

COMPETITIVE STRENGTHS

1. *Strong position in the EMS industry*
2. *Proven superior technical expertise, competence, and resources to continue to deliver quality solutions and products to customers*
3. *Ability to provide customized solutions and comprehensive range of capabilities that allow for better flexibility, options and convenience to the customer*
4. *Ability to cater to diverse industries and markets with strong exposure to high growth markets such as for the automotive, industrial and medical segments*
5. *Broad reach from a global manufacturing footprint*
6. *Ability to execute and integrate strategic acquisitions in order to expand into new markets*

Please see further discussion on "Competitive Strengths" on page 85 of this Prospectus

Key Strategies

To be a leading global electronics solutions provider, the Company shall pursue the following key strategies:

- *Focus on high-margin, non-traditional industry segments with high quality requirements, customization*
- *Provide global scale for global customers*
- *Continue to employ lean manufacturing and best practices to boost efficiency and lower costs*
- *Enhance supply chain management capabilities*
- *Strengthen organization to reinforce ability to venture into new growth areas, build lasting customer relationships*

Please see sub-section on "Key Strategies" on page 92 of this Prospectus.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include:

- risks relating to the Offer and the Rights Shares, and
- risks relating to certain statistical information in this Prospectus.

Please refer to the section entitled "Risk Factors" which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of Rights Shares.

Corporate Information

The Company is a Philippine corporation with principal office located at North Science Avenue, Laguna Technopark – Special Economic Zone (LT-SEZ), Biñan, Laguna 4024. The Company's telephone number is +63-2-756-68-40 and its fax number is +63-49-544-03-22. Its corporate website is www.global-imi.com. The information on the Company's website is not incorporated by reference into, and does not constitute part of, this Prospectus.

Investor Relations Office and Compliance Office

The Investor Relations Office is tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to the Company's stakeholders as well as to the broader investor community.

Anthony Raymond P. Rodriguez, the Company's Investor Relations Officer ("IRO"), currently serves as the Company's designated investor relations manager and head the Company's Investor Relations Office. The IRO will also be responsible for ensuring that Company's shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As the Company's officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO will also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance.

Jaime G. Sanchez currently serves as the Company's Compliance Officer to ensure that the Company complies with, and files on a timely basis, all required disclosures and continuing requirements of the SEC and the PSE.

The Company's Investor Relations Office is located at North Science Avenue, Laguna Technopark, Biñan, Laguna.

Recent Developments

Acquisition of Surface Technology International Enterprises Limited (STI)

On 6 April 2017, IMI has entered into an agreement with the shareholders of STI for the acquisition by IMI, through its subsidiary IMI UK, of an 80% stake in STI, an electronics manufacturing services (EMS) company based in the United Kingdom, with factories in Hook and Poynton in the United Kingdom and Cebu, Philippines. The closing of the transaction transpired on 16 May 2017 upon completion of pre-closing conditions and regulatory approval. The acquisition allowed IMI access to the UK market through two acquired STI factories. Further, the partnership allows the group's entry into the aerospace, security and defense sectors.

Transfer of ownership to AC Industrial Technology Holdings

On 29 March 2017, AYC Holdings, Ltd. ("AYCH"), a wholly-owned subsidiary of Ayala Corporation held through AC International Finance Ltd. ("ACIFL"), transferred its 50.6% ownership in the Company to AC Industrial Technology Holdings, Inc. ("AC Industrials" or "ACI"), also a wholly-owned subsidiary of Ayala Corporation, through a special block sale of IMI shares as approved by the Philippine Stock Exchange on 29 March 2017. This transaction was granted exemptive relief from the application of the mandatory tender offer rules by the Securities and Exchange Commission on 21 March 2017.

Acquisition of VIA Optronics GmbH

On 16 August 2016, Cooperatief, an indirect subsidiary of the Company, and the shareholders of VIA entered into a Sale and Purchase Agreement (SPA) under which Cooperatief will acquire a 76.01% stake in VIA, while the remaining 23.99% to be retained by the founders of VIA. The closing of the transaction transpired on 14 September 2016. VIA is a leading provider for optical bonding, a key technology to lower reflections thus enabling sunlight readability and increasing robustness, which is mandatory to allow thinner and lighter portable display solutions. The acquisition will allow the Group to strengthen its partnerships with customers by offering complementary automotive camera and display monitor solutions for advanced driver assistance systems. Once combined, the Group together with VIA will have the scale to introduce patented technology into automotive camera monitor systems for increased safety.

Ten Months' Performance

The Company posted $889.8 million (₱45.22 billion) revenues for the first ten months of 2017, an increase of 29 percent year-on-year due to positive effects of recent acquisitions and a rising demand in the automotive and industrial segments.

Revenues from Europe and Mexico operations surged 16% year-on-year to $297.5 million (₱15.12 billion) in the first ten months driven by increasing demand for automotive lighting, an innovative global megatrend for safety and performance. Ongoing expansions and new product introduction carried out in Mexico plant to support North America requirements also bolstered the group revenues.

Philippine operations increased 4 percent to $220.3 million (₱11.19 billion) strengthened by new industrial applications despite drop in demand in the security and medical device business.

The company's China operations posted $219.4 million (₱11.15 billion) in revenues, up 2 percent year-on-year, as a result of demand decline in the telecom infrastructure business, but offset by positive growth in automotive and industrial segments.

The two recent acquisitions, VIA and STI, contributed a combined $153.2 million (₱7.78 billion) in revenues.

The Company's key focus markets, automotive and industrial which grew 19% year-on-year, continue to show high potential for growth.

SUMMARY OF THE RIGHTS OFFER

Issuer	Integrated Micro-Electronics, Inc., a corporation organized under Philippine law with the trading symbol “IMI.” (the “Company”)
Rights Shares	350,000,000 Common Shares of the Company with a par value of P1.00 per share to be issued from the Company’s unissued capital stock. The Rights Shares shall rank equally in all respects with existing Common Shares, including the right to receive all dividends or distributions made, paid or declared after a valid subscription agreement is perfected between the Company and an Eligible Shareholder as evidenced by the written acceptance by the Company of the Application to subscribe (the “Application to Subscribe” or the “Application”) from the Eligible Shareholder. Fractions of the Rights Shares will not be allotted to Eligible Shareholders and any fractional entitlement will be rounded down to the nearest whole number of the Rights Shares.
Offer Price	₱14.28 per Rights Share, equivalent to a 25.3% discount to the Volume Weighted Average Price (“VWAP”) of the Company’s Common Shares traded in the PSE for the 30-day trading period ending on the Pricing Date.
Offer Period	The Offer Period shall commence on 19 February 2018 9:00 a.m., and end on 23 February 2018 at 12:00 p.m., Manila time. The Company and the Underwriter reserve the right to extend or terminate the Offer Period with the approval of the PSE.
Eligible Shareholders	The Rights Shares may be subscribed to by the stockholders of record of the Company as of the Record Date on a pre-emptive rights basis. Holders of the Common Shares who are eligible to participate in the Offer are those who are: (i) located inside the Philippines, or (ii) located in jurisdictions outside the Philippines and outside the United States where it is legal to participate in the Offer under the securities laws of such jurisdictions without requiring registration or the need to obtain regulatory approvals under such laws (collectively, the “Eligible Shareholders”) Subject to nationality requirements under relevant Philippine laws, the Common Shares of the Company may be held by any person or entity, regardless of nationality. The Company retains the discretion to reject an Application that is submitted by a person that is not an Eligible Shareholder or if the same will cause the Company to be in breach of securities laws of jurisdictions outside the Philippines.
Minimum Subscription	Each Application must be for a minimum of one Rights Share.

Rights Entitlement	Each Eligible Shareholder is entitled to subscribe to one Rights Share for every 5.3351 Common Shares held as of the Record Date (the “Entitlement Share”). Fractions of the Rights Shares will not be allotted to existing Shareholders and fractional entitlements will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company. Eligible Shareholders outside the Philippines that are considering a subscription to the Rights Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally, the Rights Shares and the Offer. Foreign investors that are Eligible Shareholders, both corporate and individual, must warrant that their purchase of the Rights Shares will not violate the laws or regulations of their jurisdiction and that they are allowed to acquire, purchase and hold the Rights Shares without imposing any additional requirements or compliance by the Company or any other party as a condition thereof. The offer process in relation to the Entitlement Shares shall also be known as the “First Round of the Offer”.
Additional Subscription	If an Eligible Shareholder (in such capacity, the “Applicant”) fully subscribes to his/her Entitlement Shares and subject to the availability of unsubscribed Rights Shares arising from the failure of the other Eligible Shareholders to fully exercise their Rights Shares entitlement, the Applicant may simultaneously apply for an additional subscription of unsubscribed Rights Shares (“Additional Rights Shares”). In case the Applications for additional subscriptions exceed the available unsubscribed Rights Shares, the Company shall allocate said unsubscribed Rights Shares among the Applicants in such manner as it deems appropriate. There can be no guarantee made as to the number of Additional Rights Shares an Applicant may be allocated. A subscription for Additional Rights Shares is irrevocable on the part of the Applicant and may not be cancelled or modified by such Applicant. AC Industrial Technology Holdings, Inc. (“ACI”) and Resins Incorporated (“Resins”), who own an aggregate of 63.46% of the company have committed to subscribe, in addition to its own entitlement of Rights Shares, to any Rights Shares that will not otherwise be taken up by other Eligible Shareholders. The Additional Rights Shares are payable in full upon submission of the Application. If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares

	so subscribed for, an Applicant will be allocated the number of Additional Rights Shares indicated in his Application. If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for, the available Additional Rights Shares will be allocated to Applicants who have applied to subscribe for such Additional Rights Shares and such allocation shall be made at the discretion of the Company primarily based on each Applicant's original shareholding in the Company as of the Record Date relative to the original shareholding of all other Applicants for Additional Rights Shares as of such Record Date, provided that no Applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such Applicant has applied. There can be no guarantee made as to the number of Additional Rights Shares an Applicant may be allocated. A subscription for Additional Rights Shares is irrevocable on the part of the Applicant and may not be cancelled or modified by such Applicant. The offer process in relation to the Additional Rights Shares shall be known as the "Second Round of the Offer". In the event that the Rights Shares are not fully subscribed by the Eligible Shareholders, ACI and Resins, any remaining unsubscribed shares shall be firmly underwritten, as required by the PSE, by BPI Capital Corporation.
Restrictions on Ownership	The Common Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law.
Application	Applications to subscribe to the Rights Shares must be received by the Receiving Agent, not later than 12:00 noon of 23 February 2018, the last day of the Offer Period, whether filed directly through their office or through a PSE trading participant (a "Selling Agent"). Applications received thereafter or without the required documentation will be rejected. Eligible Shareholders with certificated shares of IMI stock that are located outside the Philippines and the United States may initially submit their Applications to Subscribe (together with other required documents) to the Receiving Agent by electronic mail: stocktransferoffice@bpi.com.ph, on or before the end of the Offer Period (12:00 p.m., Manila time, on 23 February 2018), and the complete submission of which shall be duly acknowledged through electronic email by the Receiving Agent, with the original copies delivered by a reliable courier service thereafter. Payment of the Application shall be remitted to a designated bank account via wire transfer before the end of the Offer Period.

	The Applications shall be accompanied by the payment and the required attachments mentioned in the Application to Subscribe. For individual Applicants, the Application to Subscribe must be accompanied by (i) a duly executed signature card; and (ii) photocopy of one (1) valid Philippine government-issued IDs such as: SSS, GSIS, Driver's License, Passport or PRC ID, as prescribed by the Bangko Sentral ng Pilipinas in its Circular Nos. 608 (Series of 2008) and 792 (Series of 2013), and in its Memorandum No. M-2012-021. For corporate Applicants, the Application to Subscribe must be accompanied by (i) a duly executed signature card; (ii) certified true copy of the Articles of Incorporation and By-Laws of the Applicant, or the equivalent charter documents applicable for such Institutional Applicant, duly certified by its corporate secretary; (iii) a certified true copy of the SEC Certificate of Registration of the Applicant, duly certified by its corporate secretary; (iv) a duly notarized secretary's certificate setting forth the resolutions of the Applicant's board of directors or equivalent body authorizing the purchase of Rights Shares subject of the Application and designating the signatories for the purpose and their specimen signatures. If the Applicant is not located in the Philippines (individual Shareholder or corporation, partnership or trust account), by accomplishing the Application, the Applicant represents and warrants that the Applicant is not a resident of United States and the Applicant's purchase of the Rights Shares will not violate the laws of their resident jurisdiction. Applications shall be considered irrevocable upon submission to the Receiving Agent, and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the Application. The actual subscription and/or purchase of the Rights Shares shall become effective only upon the actual listing of the Rights Shares on the PSE and upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement. For Eligible Shareholders located outside the Philippines and outside the United States, an Application, proof of remittance and all other required documentation may be transmitted to the Receiving Agent by electronic mail: stocktransferoffice@bpi.com.ph, on or before the end of the Offer Period. The original copies must be delivered by a courier service promptly thereafter and must be physically received by BPI Stock Transfer Office before the Listing Date.
Payment of Shares	All Applications shall be paid in full and in cleared funds through Manager's Checks, Cashier's Checks or Personal

	Checks drawn against any Bangko Sentral ng Pilipinas ("BSP") authorized agent bank or branch thereof with a local clearing facility. All checks must be dated as of the date of the submission of the Application, made payable to "IMI Rights Offer 2018" and crossed "Payee's Account Only." Check payments for regional clearing will not accepted. Applications where checks are dishonored upon first presentment, payment is insufficient, and Applications, together with the other required documents, which do not comply with the terms of the Offer shall be rejected. Moreover, all bank charges shall be for the account of the Eligible Shareholder. The payment for the subscription price must be received by the Issuer in full without any deduction. Certificated Eligible Shareholders located outside of the Philippines and out of the United States may submit their payment by way of remittance in favor of the Receiving Agent. Payments from such certificated Eligible Shareholders shall be made in full (without deduction for relative fees which are for account of the Applicant and for separate settlement by the Applicant), in Philippine Pesos, via wire transfer to the Receiving Agent's bank account before the end of the Offer Period.
Expected Timetable	The timetable of the Offer is expected to be as follows: Pricing Date .... 7 February 2018 Ex-Date............................. 9 February 2018 Record Date .... 14 February 2018 Tentative Listing Date........ On or about 2 March 2018 The dates listed above are subject to market and other conditions and may be changed at the discretion of the Company and the Sole Issue Manager, Bookrunner and Underwriter, subject to the approval of the PSE.
Tax Considerations	See "Philippine Taxation" for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Rights Shares. All documentary stamp taxes applicable to the issuance of the Rights Shares shall be for the account of the Company.
Sole Issuer Manager, Bookrunner and Underwriter	BPI Capital Corporation.
Receiving Agent	BPI Stock Transfer Office.
Stock Transfer Agent	BPI Stock Transfer Office.
Stamp Tax	All documentary stamp taxes applicable to the issuance of the Rights Shares shall be for the account of the Company.
Acceptance/Rejection of Applications	The Company has full discretion to accept or reject all or a portion of any Application under the terms and conditions of the Offer. The actual number of Rights Shares to which any

	Applicant may be entitled is subject to the confirmation of the Company. Applications where checks are dishonored upon first presentment and Applications which do not comply with the terms of the Offer shall be rejected. Moreover, payment received upon submission of an Application does not constitute approval or acceptance by the Company of the Application. An Application, once accepted, shall constitute an agreement between the Applicant and the Company for the subscription to the Rights Shares at the time, in the manner, and subject to the terms and conditions set forth herein. Notwithstanding the acceptance of an Application by the Company, the actual subscription and sale of the Rights Shares to an Eligible Shareholder shall become effective only upon the listing of the Rights Shares on the PSE. If such condition is not fulfilled on or before the periods provided above, all Application payments will be returned to the Applicants without interest and, in the meantime, the said application payments will be held in a separate bank account with the Receiving Agent.
Listing and Trading	All of the Rights Shares to be issued will be listed on the PSE under the symbol and company alias "IMI." All of the Rights Shares will be listed on the PSE on the tentative listing date. Trading is expected to commence on the same date that the relevant Rights Shares are listed on the PSE.
Refunds for the Offer	In the event that the number of Rights Shares to be received by an Applicant, as confirmed by the Underwriter, is less than the number covered by his Application, or if an Application is rejected by the Company, then the Stock Transfer Agent shall refund, without interest, beginning on the fifth (5th) banking day from the end of the offer period, all or a portion of the payment corresponding to the number of Rights Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent with whom the Applicant has filed the Application, at the Applicant's risk.
Registration of Foreign Investments	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The Application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. The registration with the BSP of all foreign investments in the Rights Shares shall be the responsibility of the foreign investor.
Registration and Lodgment	The Rights Shares are required to be lodged with the Philippine Depository & Trust Corporation (the "PDTC"). The Applicants must provide the required information in the space provided in the Application to effect the lodgment.

	The Applicant may request for the upliftment of his/her Rights Shares and to receive stock certificates evidencing his/her investment in the Rights Shares through his/her broker after full payment and lodgment of the Rights Shares, in accordance with existing upliftment procedures. Any expense to be incurred in connection with such issuance of certificates shall be borne by the Applicant.
Firm Commitment to Purchase	BPI Capital Corporation will firmly underwrite the Offer. In this connection, the parent company, ACI and Resins, which beneficially own an aggregate of 63.46% of the Company, have committed and undertaken to the Company and the Underwriter that it shall subscribe, not just to its entitlement of the Rights Shares, but also to any unsubscribed Rights Shares after the mandatory Second Round of the Offer. Thus, if any Eligible Shareholder fails to subscribe to all the Rights Shares, ACI and Resins will take up any remaining unsubscribed Rights Shares after the mandatory Second Round of the Offer. Should ACI and Resins fail to subscribe to all the remaining Rights Shares, BPI Capital Corporation will take up any remaining unsubscribed Rights Shares pursuant to its role as Underwriter.
Lock-up	The lock-up period is voluntary. The Company and the Principal Shareholders have agreed with the Underwriter that, other than in connection with the issuance of Rights Shares for purposes of the Offer, neither the Company nor any person acting on its behalf will, for a period of 90 days after the listing date, without the prior written consent of the Underwriter, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for any Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Common Shares, including equity swaps, forward sales and options. See “Principal Shareholders” on page 138 of this Prospectus and “Plan of Distribution – Lock-Up” on page 54 of this Prospectus.
Risks of Investing	Prospective investors should carefully consider the risks associated with an investment in the Rights Shares before making an investment decision. Certain of these risks are discussed in the section of the Prospectus entitled “Risk Factors” and “Additional Risk Factors.”

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables set forth the summary consolidated financial information for the Company and should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary of unaudited consolidated financial information as of October 31, 2017 and for the ten months ended 31 October 2017 and 2016 were prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting, while the summary of consolidated financial information for the years ended 31 December 2016, 2015, and 2014 were derived from the Company's audited consolidated financial statements, which were prepared in accordance with PFRS and were audited by SGV & Co. in accordance with the Philippine Standards on Auditing ("PSA"). The summary consolidated financial information below is not necessarily indicative of the results of future operations.

SUMMARIZED CONSOLIDATED STATEMENTS OF INCOME

	For the ten months ended 31 October (Unaudited)		For the nine months ended 30 September (Unaudited)		For the years ended 31 December (Audited)		
	2017	**2016**	**2017**	**2016**	**2016**	**2015**	**2014**
Revenues	889,840	690,093	795,224	615,739	842,966	814,364	844,474
Cost of Sales and Services	789,019	610,458	705,732	544,200	741,657	720,333	750,541
Gross Profit	**100,821**	**79,635**	**89,492**	**71,539**	**101,309**	**94,031**	**93,933**
Operating Expenses	(71,858)	(43,580)	(59,523)	(42,708)	(58,366)	(56,099)	(64,233)
Net Operating Income	**28,963**	**36,055**	**29,969**	**28,831**	**42,943**	**37,932**	**29,700**
Net Finance and Other Income (Expense)	(2,190)	(4,899)	(787)	(2,998)	(8,120)	(3,257)	5,491
Income Before Income Tax	26,773	31,156	29,182	25,833	34,823	34,675	35,191
Provision for Income Tax	(5,832)	(5,393)	(4,954)	(5,015)	(6,807)	(5,905)	(6,200)
Net Income	**20,941**	**25,763**	**24,228**	**20,818**	**28,016**	**28,770**	**28,991**
Net Income (Loss) Attributable to:							
Equity holders of Parent Company	**20,762**	**25,768**	**24,099**	**20,820**	**28,116**	**28,790**	**29,117**
Non-controlling interests	179	(5)	129	(2)	(100)	(20)	(126)
	20,941	25,763	24,228	20,818	28,016	28,770	28,991
EBITDA	**55,246**	**55,766**	**54,346**	**47,338**	64,967	58,763	52,717

** Operating expenses for the ten-month period ended 31 October 2017 include relocation costs representing one-off expenses in the aggregate amount of $6.58 million consisting of employee relocation incentives and other incidental expenses in relation to the sale of its China entity, Shenzhen Speedy-Tech Electronics, Co. Ltd., and the transfer of operations therein from Liantang, Luohu to the new Pingshan facility. The transfer was prompted by the urban redevelopment projects and directives of the Shenzhen City government. The facilities transferred (once fully re-commissioned) are intended to become operational at the new site under a new wholly-owned entity IMI Technology (Shenzhen) Co. Ltd, thus, IMI does not consider these operations as discontinued.*

CONSOLIDATED BALANCE SHEETS

In US$ thousands

	As of October 31 (Unaudited)		As of September 30 (Unaudited)		As of December 31 (Unaudited)	As of December 31 (Audited)		
	2017	**2016**	**2017**	**2016**	**2016 (As Restated)** [1]	**2016**[2]	**2015**	**2014**
ASSETS								
Current Assets								
Cash and cash equivalents	**67,559**	115,483	62,571	86,492	$86,549	$86,549	101,532	117,626
Receivables - net	**259,792**	212,992	260,525	215,444	198,203	198,203	169,292	195,122
Inventories	**181,304**	115,720	177,853	110,648	106,132	106,132	88,255	91,389
Other current assets	**27,021**	13,873	24,862	21,685	16,091	16,091	10,936	11,872
Total Current Assets	**535,676**	458,068	525,811	434,269	406,975	406,975	370,015	416,009
Noncurrent Assets								
Property, plant, and equipment - net	**155,818**	118,506	156,833	117,230	117,405	117,405	93,102	81,688
Goodwill	**142,871**	95,028	142,871	95,028	91,416	96,045	46,876	46,876
Intangible assets	**21,928**	7,998	20,898	3,157	18,317	10,469	2,398	4,003
Available-for-sale financial assets	**758**	677	758	677	741	741	584	522
Deferred tax assets	**1,033**	1,635	1,412	1,635	1,552	1,552	1,528	1,732
Other noncurrent assets	**2,044**	1,850	2,216	2,245	2,722	2,722	2,032	1,877
Total Noncurrent Assets	**324,452**	225,694	324,988	219,972	232,153	228,934	146,520	136,698
TOTAL ASSETS	**860,128**	683,762	850,799	654,241	639,128	635,909	516,535	552,707
LIABILITIES AND EQUITY								
Current Liabilities								
Accounts payable and accrued expenses	**275,841**	210,196	262,764	203,856	195,676	195,676	152,817	182,087
Loans and trust receipts payable	**123,261**	80,141	128,458	98,900	51,445	51,445	42,298	52,094
Financial liabilities	**26,356**	–	26,356	–	11,334	11,334	–	–
Current portion of long-term debt	**6,442**	9,078	6,539	48,741	8,185	8,185	42,953	2,801
Income tax payable	**4,564**	3,852	4,869	3,853	3,451	3,451	2,534	3,652
Total Current Liabilities	**436,464**	303,267	428,986	355,350	270,091	270,091	240,602	240,634
Noncurrent Liabilities								
Noncurrent portion of:								
Long-term debt	**136,646**	121,541	127,248	41,764	121,144	121,144	34,649	57,299
Contingent consideration	**24,570**	–	–	–	–	–	–	–
Advances from customers	**995**	1,208	995	1,208	1,138	1,138	1,123	1,443
Obligation under finance lease	–	–	–	–	–	–	–	2,258
Deferred tax liabilities	**2,777**	1,109	3,050	1,113	3,035	1,276	1,358	1,434
Net retirement liabilities	**3,848**	4,961	3,982	4,961	4,092	4,092	5,792	4,711
Accrued rent	**85**	98	85	98	85	85	455	481
Other noncurrent liabilities	**971**	240	25,589	162	216	216	118	182
Total Noncurrent Liabilities	**169,892**	129,157	160,949	49,306	129,710	127,951	43,495	67,808
Total Liabilities	**606,356**	432,424	589,935	404,656	399,801	398,042	284,097	308,442

[1] *The retrospective application due to finalization of the purchase price allocation is reflected in the consolidated statement of financial position as of 31 December 2016, presented for comparative purposes in the unaudited interim condensed consolidated financial statements of the Company as of 31 October 2017.*

[2] *The audited consolidated financial statements as of 31 December 2016 have not reflected yet the Company's finalization of the purchase price allocation with respect to its acquisition of VIA Optronics GmBH in September 2016.*

	As of October 31 (Unaudited)		As of September 30 (Unaudited)		As of December 31 (Unaudited)	As of December 31 (Audited)		
	2017	2016	2017	2016	2016 (As Restated)	2016	2015	2014
EQUITY								
Equity Attributable to Equity Holders of the Parent Company								
Capital stock-common	**35,554**	34,936	35,470	34,936	34,936	34,936	34,934	34,877
Capital stock-preferred	**–**	–	–	–	–	–	–	26,601
Subscribed capital stock	**1,214**	1,861	1,298	1,861	1,857	1,857	1,908	1,798
Additional paid-in capital	**58,131**	82,967	58,088	82,911	70,928	70,928	82,528	80,481
Subscriptions receivable	**(10,058)**	(12,371)	(10,976)	(12,374)	(12,335)	(12,335)	(13,132)	(12,907)
Retained earnings:								
Appropriated for expansion	**–**	–	–	–	–	–	–	20,661
Unappropriated	**181,260**	166,584	184,597	161,636	168,932	168,932	149,437	109,481
Treasury stock	**(1,013)**	(1,013)	(1,013)	(1,013)	(1,013)	(1,013)	(1,013)	(1,013)
Reserve for fluctuation on available-for-sale financial assets	**413**	312	413	312	369	369	251	184
Cumulative translation adjustment	**(9,019)**	(17,738)	(4,253)	(14,486)	(20,640)	(20,640)	(16,545)	(10,709)
Other comprehensive loss	**(6,428)**	(6,238)	(6,428)	(6,238)	(6,428)	(6,428)	(6,296)	(5,574)
Other reserves	**–**	171	–	171	–	–	171	171
	250,054	249,471	257,196	247,716	236,606	236,606	232,243	244,051
Equity Attributable to Non-controlling Interests	**3,718**	1,867	3,668	1,869	2,721	1,261	195	214
Total Equity	**253,772**	251,338	260,864	249,585	239,327	237,867	232,438	244,265
TOTAL LIABILITIES AND EQUITY	**860,128**	683,762	850,799	654,241	639,128	635,909	516,535	552,707

CONSOLIDATED STATEMENTS OF CASH FLOWS

In US$ thousands

	For the ten months ended 31 October (Unaudited)		For the nine months ended 30 September (Unaudited)		For the years ended 31 December (Audited)		
	2017	**2016**	**2017**	**2016**	**2016**	**2015**	**2014**
Cash Flows from Operating Activities							
Income before income tax	**26,773**	**31,156**	**29,182**	25,833	34,823	34,675	35,191
Adjustments for:							
Depreciation of property, plant, and equipment	**21,228**	**20,072**	**19,015**	17,908	22,472	21,017	20,860
Interest expense	**6,164**	**2,843**	**4,829**	2,341	3,298	2,209	2,740
Amortization of intangible assets	**3,576**	**1,770**	**3,764**	1,663	1,990	2,232	2,120
Unrealized foreign exchange losses (gains) - net	**1,339**	**(139)**	**(323)**	(436)	(58)	413	386
Impairment loss	**525**	**–**	**525**	–	–	–	–
Cost of share-based payments	**256**	**696**	**235**	636	744	1,528	165
Interest income	**(264)**	**(210)**	**(136)**	(211)	(294)	(658)	(196)
Mark-to-market gains	**(218)**		**(177)**	–	113	(225)	35
Loss (gain) on sale of property, plant, and equipment	**(613)**	**(83)**	**(611)**	(64)	143	(166)	(14,507)
Gain on insurance claims	**–**	**–**	**–**	–	(361)	–	(335)
Impairment on goodwill	**–**	**–**	**–**	–	–	–	7,479
Impairment on available-for-sale financial assets	**–**	**–**	**–**	–	–	–	1,754
Write-off of available-for-sale financial assets	**–**	**–**	**–**	–	–	–	1,350
Operating income before working capital changes	**58,766**	**56,105**	**56,303**	47,670	62,870	61,025	57,042
Changes in operating assets and liabilities:							
Decrease (increase) in:							
Loans and receivables	**(56,380)**	(24,470)	**(39,396)**	(24,288)	(10,639)	18,436	(21,670)
Inventories	**(56,764)**	(21,994)	**(52,686)**	(15,694)	(13,358)	2,054	785
Other current assets	**(7,194)**	(1,615)	**(5,076)**	(8,697)	(3,414)	1,068	4,748
Increase (decrease) in:							
Accounts payable and accrued expenses	**59,562**	29,336	**36,163**	29,300	10,771	(26,235)	7,529
Advances from third party	**6,615**	6,539	**6,615**	–	6,538	–	–
Advances from customers	**(143)**	127	**(143)**	127	2,030	(302)	(299)
Retirement liabilities and other long-term benefits	**(316)**	(802)	**(146)**	(727)	(1,471)	592	1,396
Accrued rent	–	(356)	**–**	(357)	(370)	(26)	38
Net cash generated from operations	**4,145**	**42,870**	**1,634**	27,334	52,957	56,612	49,569
Income tax paid	**(5,307)**	(4,469)	**(3,223)**	(4,092)	(6,026)	(6,849)	(6,926)
Interest paid	**(5,269)**	(2,955)	**(3,692)**	(2,453)	(3,037)	(2,149)	(2,762)
Interest received	**264**	223	**148**	223	306	667	288
Net cash provided by operating activities	**(6,167)**	**35,669**	**(5,133)**	**21,012**	**44,200**	**48,281**	**40,170**

(Forward)

	For the ten months ended 31 October		For the nine months ended 30 September		For the years ended 31 December		
	2017	**2016**	**2017**	**2016**	**2016**	**2015**	**2014**
Cash Flows from Investing Activities							
Acquisitions of:							
Property, plant, and equipment	**(48,886)**	(42,127)	**(46,295)**	(38,659)	(48,344)	(35,120)	(24,213)
Intangible assets	**(3,275)**	(1,943)	**(2,686)**	(2,437)	(3,886)	(660)	(1,288)
Decrease (increase) in other noncurrent assets	**677**	342	**506**	(212)	(690)	(154)	706
Proceeds from sale of property, plant, and equipment	**2,277**	317	**1,602**	298	289	673	19,193
Capitalized development costs	**(4,623)**	(4,739)	**(3,646)**	–	(4,004)	–	–
Acquisition through business combination, net of cash acquired	**(25,704)**	(46,879)	**(25,704)**	(46,814)	(46,879)	–	–
Net cash used in investing activities	**(79,534)**	**(95,029)**	**(76,223)**	**(87,824)**	**(103,514)**	**(35,261)**	**(5,602)**
Cash Flows from Financing Activities							
Availments of loans	**96,688**	157,060	**87,789**	77,263	265,906	50,465	24,299
Payments of loans	**(28,196)**	(75,244)	**(23,608)**	(17,119)	(212,619)	(40,451)	(19,205)
Dividends paid to equity holders of the Parent Company	**(8,434)**	(8,621)	**(8,435)**	(8,621)	(8,621)	(8,559)	(3,099)
Collections of subscriptions receivable	**2,076**	459	**1,136**	460	462	461	329
Cash paid on acquisition of non-controlling interests	**–**	–	**–**	–	(360)	–	(639)
Settlement of derivatives	**–**	–	**–**	–	(114)	170	(76)
Redemption of preferred shares	**–**	–	**–**	–	–	(28,436)	–
Decrease in obligations under finance lease	**–**	–	**–**	–	–	(2,258)	(1,453)
Proceeds from shares issuance	**–**	–	**–**	–	–	–	35,921
Transaction costs on shares issuance	**–**	–	**–**	–	–	–	(1,502)
Net cash provided by (used in) financing activities	**62,134**	**73,654**	**56,882**	**51,983**	**44,654**	**(28,608)**	**34,575**
Net foreign exchange difference in cash and cash equivalents	**4,577**	(343)	**496**	(211)	(323)	(505)	(560)
Net increase (decrease) in cash and cash equivalents	**(18,990)**	13,951	**(23,978)**	(15,040)	(14,983)	(16,093)	68,583
Cash and cash equivalents at beginning of period	**86,549**	101,532	**86,549**	101,532	101,532	117,625	49,042
Cash and cash equivalents at end of period	**67,559**	**115,483**	**62,571**	**86,492**	**86,549**	**101,532**	**117,625**

In US$ thousands

KEY PERFORMANCE INDICATORS

	As of October 31		As of September 30		As of 31 December		
	2017	**2016**	**2017**	**2016**	**2016**	**2015**	**2014**
Performance indicators							
Liquidity:							
Current ratio[a]	1.23	1.51	1.23	1.22	1.51	1.54	1.73
Solvency:							
Debt-to-equity ratio[b]	1.05	0.82	1.00	0.64	0.74	0.48	0.41

	For the ten months ended 31 October		For the nine months ended 30 September		For the years ended 31 December		
	2017	**2016**	**2017**	**2016**	**2016**	**2015**	**2014**
Operating efficiency:							
Revenue growth[c]	29%	-2%	29%	(2%)	4%	(4%)	13%
Profitability:							
Gross profit margin[d]	11.3%	11.5%	11.3%	11.6%	12.0%	11.5%	11.1%
Net income margin[e]	2.3%	3.7%	3.0%	3.4%	3.3%	3.5%	3.4%
Return on equity[f]	8.5%	10.7%	9.7%	8.7%	12.0%	12.1%	13.3%
Return on common equity[g]	8.5%	10.7%	9.7%	8.7%	12.0%	12.8%	15.2%
Return on assets[h]	2.4%	3.8%	2.8%	3.2%	4.4%	5.6%	5.3%
EBITDA margin[3]	6.2%	7.4%	6.8%	7.7%	7.8%	7.2%	6.2%

[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

[3] EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents operating income after adding depreciation and amortization 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.

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Offer Shares. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Offer Shares to decline. All or part of an investment in the Offer Shares could be lost.

The means by which the Company intends to address the risk factors discussed herein are principally presented under the captions "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry," and "Board of Directors and Senior Management—Corporate Governance" of this Prospectus. This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the Common Shares and the Company from the Philippine SEC.

RISKS RELATING TO THE COMPANY'S BUSINESS

IMI's operating results may significantly fluctuate from period to period

There is a risk that the Company's operating results may fluctuate significantly due to various factors including but not limited to changes in demand for its products and services, customers' sales outlook, purchasing patterns, and inventory adjustments, changes in the types of services provided to customers, variations in the, volume of products, adjustments in the processes and manner of delivery of services, as well as alterations to product specifications on account of complexity of product maturity, the extent to which the Company can provide vertically integrated services for a product. The result is also affected by the Company's effectiveness in managing its manufacturing processes, controlling costs, and integrating any potential future acquisitions, the Company's ability to make optimal use of its available manufacturing capacity, changes in the cost and availability of labor, raw materials, and components, which affect its margins and its ability to meet delivery schedules, and the ability to manage the timing of its component purchases so that components are available when needed for production while avoiding the risks of accumulating inventory in excess of immediate production needs. Fluctuations in operating results may also be experienced by the Company on account of the advent of new technology and customer qualification of technology employed in the production, and the occurrence of any changes in local conditions or occurrence of events that may affect production volumes and costs of production, such as, but not limited to labor conditions, political instability, changes in law and regulation, economic disruptions or changes in economic policies affecting flow of capital, entry of competition, substantial rate hikes of utilities required for production. The Company may also experience possible business disruptions as a result of natural events such as fire and explosion due to presence and use of flammable materials in the operations, or force majeure.

The factors identified above and other risks discussed in this section affect the Company's operating results from time to time.

Some of these factors are beyond the Company's control. The Company may not be able to effectively sustain its growth due to restraining factors concerning corporate competencies, competition, global economies, and market and customer requirements. To meet the needs of its customers, the Company has expanded its operations in recent years and, in conjunction with the execution of its strategic plans, the Company expects to continue expanding in terms of geographical reach, customers served, products, and services. To manage its growth, the Company must continue to enhance its managerial, technical, operational, and other resources.

The Company's ongoing operations and future growth may also require funding either through internal or external sources. There can also be no assurance that any future expansion plans will not adversely affect the Company's existing operations since execution of said plans may involve challenges. For instance, the Company may be required to be confronted with such issues as shortages of production equipment and raw materials or components, capacity constraints, difficulties in ramping up production at new facilities or upgrading or expanding existing facilities, and training an increasing number of personnel to manage and operate those facilities. Compounding these issues are other restraining factors such as more aggressive efforts of competition in expanding business, volatility in global economies and market and customer requirements. All these challenges could make it difficult for the Company to implement any expansion plans successfully and in a timely manner.

In response to a very dynamic operating environment and intense industry competition, the Company focuses on high-growth/high-margin specialized product niches, diversifies its markets and products, engages in higher value add services, improves its cost structure, and pursues strategies to grow existing accounts.

IMI is highly dependent on an industry that is characterized by rapid technological changes

The demand for the Company's solutions is derived from the demand of end customers particularly for end-use applications in the computing, communications, consumer, automotive, industrial and medical electronics industries. These industries have historically been characterized by rapid technological change, evolving industry standards, and changing customer needs. There can be no assurance that the Company will be successful in responding to these industry demands. New services or technologies may also render the Company's existing services or technologies less competitive. If the Company does not promptly make measures to respond to technological developments and industry standard changes, the eventual integration of new technology or industry standards or the eventual upgrading of its facilities and production capabilities may require substantial time, effort, and capital investment.

The Company is focusing on longer life cycle industries such as automotive, industrial and telecommunication infrastructure to reduce the volatility of model and design changes. The Company also keeps itself abreast of trends and technology development the electronics industry and is continuously conducting studies to enhance its technologies, capabilities and value proposition to its customers. It defines and executes technology road maps that are aligned with market and customer requirements.

The industry where IMI operates in does not serve, generally, firm or long-term volume purchase commitments

Save for specific engagements peculiar to certain products and services required, the Company's customers do not generally contract for firm and long-term volume purchase. Customers may place lower-than-expected orders, cancel existing or future orders or change production quantities. There are no guaranteed or fixed volume orders that are committed on a monthly or periodic basis.

In addition, the Company makes significant investment decisions, including determining the levels of business that it will seek and accept capacity expansion, personnel needs, and other resource requirements. These key decisions are ultimately based on estimates of customer long-term requirements. The rapid changes in demand for its products reduce its ability to estimate accurately long-term future customer requirements. Thus, there is the risk that resource investments are not optimized at a certain period.

In order to manage the effects of these uncertainties, customers are required to place firm orders within the manufacturing lead time to ensure delivery. The Company does not solely rely on the forecast provided by the clients. By focusing on the longer cycle industry segments, the volatility that comes with rapid model changes is reduced and the Company is able to have a more accurate production planning and inventory management process.

Buy-back agreements are also negotiated by the Company in the event there are excess inventory when customer products reach their end-of-life.To the extent possible, the Company's contract include volume break pricing, and materials buy-back conditions to taper the impact of sudden cancellations, reductions, and delays in customer requirements.

IMI may encounter difficulties in connection with its global expansion

The Company's globalization strategy has transformed it from a Philippines-centric company into a global network with manufacturing and engineering facilities as well as sales offices in Asia, Europe, and North America. This global expansion may expose the Company to potential difficulties that include diversion of management's attention from the normal operations of the Company's business, potential loss of key employees and customers of the acquired companies, physical, legal, cultural, and social impediments in managing and integrating operations in geographically dispersed locations, lack of experience operating in the geographic market of the acquired business, reduction in cash balance and increases in expenses and working capital requirements, which may reduce return on invested capital, potential increases in debt, which may increase operating costs as a result of higher interest payments, and complexities in integrating acquired businesses into existing operations, which may prevent it from achieving, or may reduce the anticipated synergy.

The Company's acquisitions of new companies or creation of new units, whether onshore or offshore, may also have an immediate financial impact to the Company due to the dilution of the percentage of ownership of current stockholders if the acquisition requires any payment in the form of equity of the Company, the periodic impairment of goodwill and other intangible assets, and liabilities, litigations, and/or unanticipated contingent liabilities assumed from the acquired companies.

If the Company is not able to successfully manage these potential difficulties, any such acquisitions may not result in material revenue enhancement or other anticipated benefits or even adversely affect its financial and/or operating condition.

To limit its exposure, the Company performs a thorough assessment of the upside and downside of any merger or acquisition. Supported by a team which focuses on business development, finance, legal, and engineering units, the vision, long-term strategy, compatibility with the culture, customer relationship, technology, and financial stability of the company to be acquired is carefully examined thorough due diligence to ensure exposures are mitigated through proper warranties. In addition, the Company looks at acquisitions that are immediately accretive to the P&L of the Company. The decision is then reviewed and endorsed by the Finance Committee, and approved by the Board. The Company carefully plans any merger or acquisition for a substantial period prior to closing date. Prior to closing of transactions, the Company forms an integration team and formulates detailed execution plans to integrate the key functions of the acquired entity into the Company.

IMI may not be able to mitigate the effects of declining prices of goods over the life cycles of its products or as a result of changes in its mix of new and mature products, mix of turnkey and consignment business arrangements, and lower prices offered by competition

The price of the Company's products tends to decline over the later years of the product life cycle, reflecting decreased costs of input components, improved efficiency, decreased demand, and increased competition as more manufacturers are able to produce similar or alternative products. The gross margin for manufacturing services is highest when a product is first developed but as products mature, average selling prices of a product drop due to various market forces resulting in gross margin erosion. The Company may be constrained to reduce the price of its service for more mature products in order to remain competitive against other manufacturing services providers. This is most apparent in the automotive segment, where the reduction has historically been observed to occur between the first two to three years. The Company's gross margin may further decline to be competitive with the lower prices offered by competition or to absorb excess capacity, liquidate excess inventories, or restructure or attempt to gain market share.

The Company is moving towards a higher proportion of contracting under a turnkey production (with the Company providing labor, materials and overhead support), as compared to those under a consignment model, indicating a possible deterioration in its margins. The Company will also need to deploy larger amounts of working capital for turnkey engagements.

To mitigate the effects of price declines in the Company's existing products and to sustain margins, the Company continues to improve its production efficiency by increasing yields, increasing throughputs through LEAN and six sigma manufacturing process. In addition, the Company continues to leverage on its purchase base and supplier programs to avail of discounts and reduced costs in component prices. It also utilizes its global procurement network and supply chain capabilities to reduce logistics costs for components including inventory levels. The Company also intensifies its effort to contract with customers with higher-margin products most of which involve higher engineering value add and more complex box build or system integration requirements.

IMI operates in a highly competitive industry

Some of the Company's competitors in the industry may have greater design, engineering, manufacturing, financial capabilities, or superior resources than the Company. Customers evaluate EMS and ODMs based on, among other things, global manufacturing capabilities, speed, quality, engineering services, flexibility, and costs. In outsourcing, OEMs seek to reduce cost. In addition, major OEMs typically outsource the same type of products to at least two or three outsourcing partners in order to diversify their supply risks. The competitive nature of the industry may result in substantial price competition. The Company faces increasing challenges from competitors who are able to put in place a competitive cost structure by consolidating with or acquiring other competitors, relocating to lower cost areas, strengthening supply chain partnerships, or enhancing solutions through vertical integration, among others. The Company's customers may opt to transact with the Company's competitors instead of the Company or if the Company fails to develop and provide the technology and skills required by its customers at a rate comparable to its competitors. There can be no assurance that the Company will be able to competitively develop the higher value add solutions necessary to retain business or attract new customers. There can also be no assurance that it will be able to establish a compelling advantage over its competitors.

The industry could become even more competitive if OEMs fail to significantly increase their overall levels of outsourcing. Increased competition could result in significant price competition, reduced revenues, lower profit margins, or loss of market share, any of which would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company regularly assesses the appropriate pricing model (so as to ensure that it is strategic/value based or demand based, among others) to be applied on its quotation to existing or prospective customers. The Company is also strengthening its risk management capabilities to be able to turn some of the risks (e.g., credit risks) into opportunities to gain or maintain new or existing customers, respectively. The Company also continues to develop high value-add services that fit the dynamic markets it serves. It continues to enhance capabilities in design and development, advanced manufacturing engineering, test and systems development, value engineering, and supply chain management to ensure an efficient product realization experience for its customers.

In addition, the Company's size, stability and geographical reach allow it to attract global OEMs customers that look for stable partners that can service them in multiple locations. This is evidenced by increasing number of global contracts that the Company is able to develop and have multiple sites serving single customers.

Focusing on high value automotive (such as those for ADAS and safety-related, power modules and electronic control units, among others), industrial and medical segments where strict performance and stringent certification processes are required, the Company is able to establish a high barrier of entry, business sustainability and better pricing. Generally, the Company has observed that it is usually difficult for customers in these industries to shift production as they would have to go through a long lead time in the certification process. The direction the Company has taken resulted in the rise of the Company's ranking in the global and automotive EMS spaces.

IMI may be subject to reputation and financial risks due to product quality and liability issues

The contracts the Company enters into with its customers, especially customers from the automotive and medical industry, typically include warranties that its products will be free from defects and will perform in accordance with agreed specifications. To the extent that products delivered by the Company to its customers do not, or are not deemed to, satisfy such warranties, the Company could be responsible for repairing or replacing any defective products, or, in certain circumstances, for the cost of effecting a recall of all products which might contain a similar defect in an occurrence of an epidemic failure, as well as for consequential damages. Defects in the products manufactured by the Company adversely affect its customer relations, standing and reputation in the marketplace, result in monetary losses, and have a material adverse effect on its business, financial condition, and results of operations. There can be no assurance that the Company will be able to recover any losses incurred as a result of product liability in the future from any third party.

In order to prevent or avoid a potential breach of warranties which may expose the Company to liability, the Company performs a detailed review and documentation of the manufacturing process that is verified, audited and signed-off by the customers. In addition, customers are encouraged, and in some cases, required to perform official audits of the Company's manufacturing and quality assurance processes, to ensure compliance with specifications. The Company works closely with customers to define customer specifications and quality requirements, and follow closely these requirements to mitigate future product liability claims. The Company also insures itself on product liability and recall on a global basis.

IMI's production capacity may not correspond precisely to its production demand

The Company's customers may require it to have a certain percentage of excess capacity that would allow the Company to meet unexpected increases in purchase orders. On occasion, however, customers may require rapid increases in production beyond the Company's production capacity, and the Company may not have sufficient capacity at any given time to meet sharp increases in these requirements. On the other hand, there is also a risk of the underutilization of the production line, which may slightly lower the Company's profit margins. In response, the Company makes the necessary adjustments in order to have a match between demand and supply. In the case of a lack in supply, the Company equips itself with flexible systems that allow it to temporarily expand its production lines in order to lower the overhead costs, and then make corresponding increases in its capacity when there is a need for it as well.

To soften the impact of this, the Company closely coordinates with customers to provide the parties with regular capacity reports and action plan/s for common reference and future capacity utilizations. The Company also closely collaborates with its customers to understand the required technology roadmaps, anticipate changes in technological requirements, and discuss possible future solutions.

IMI may be involved in intellectual property disputes

The Company's business depends in part on its ability to provide customers with technologically sophisticated products. The Company's failure to protect its intellectual property or the intellectual property of its customers exposes it to legal liability, loss of business to competition and could hurt customer relationships and affect its ability to obtain future business. It could incur costs in either defending or settling any intellectual property disputes. Customers typically require that the Company indemnify them against claims of intellectual property infringement. If any claims are brought against the Company's customers for such infringement, whether these have merit or not, it could be required to expend significant resources in defending such claims. In the event the Company is subjected to any infringement claims, it may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. The Company may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms or at all, which could disrupt manufacturing processes, damage its reputation, and affect its profitability.

Since the Company is not positioned as an ODM, the likelihood of the Company infringing upon product-related intellectual property of third parties is significantly reduced. Product designs are prescribed by and ultimately owned by the customer.

The Company observes strict adherence to approved processes and specifications and adopts appropriate controls to ensure that the Company's intellectual property and that of its customers are protected and respected. It continuously monitors compliance with confidentiality undertakings of the Company and management. As of the date of this Prospectus, there has been no claim or disputes involving the Company or between the Company and its customers involving any intellectual property.

Demand for services in the EMS industry depends on the performance and business of the industry's customers as well as the demand from end consumers of electronic products

The performance and profitability of the Company's customers' industries are partly driven by the demand for electronic products and equipment by end-consumers. If the end-user demand is low for the industry's customers' products, companies in the Company's industry may see significant changes in orders from customers and may experience greater pricing pressures. Therefore, risks that could harm the customers of its industry could, as a result, adversely affect the Company as well. These risks include the customer's inability to manage their operations efficiently and effectively, the reduced consumer spending in key customers' markets, the seasonality demand for their products, and failure of the customer's products to gain widespread commercial acceptance.

The impact of these risks was very evident in the aftermath of the global financial crisis which resulted in global reduction of demand for electronics products by end-customers. The Company mitigates the impact of industry downturns on demand by rationalizing excess labor and capacity to geographical areas that are most optimal, and by initiating cost containment programs. With indications of global financial recovery already in place, the Company has been able to re-hire some of its employees. There are also electronics requirements resulting from global regulations, such as those for improving vehicle safety and promoting energy-efficient technologies that would increase the demand for electronic products and equipment.

The Company continuously addresses its concentration risks. There is no single customer that the Company is dependent on or accounts for more than 15% of the Company's revenues. The Company also serves global customers which are not concentrated on a specific geographic market.

IMI's industry is dependent on the continuous growth of outsourcing by OEMs

The Company belongs to an industry that is dependent on the strong and continuous growth of outsourcing in the communications, consumer automotive, industrial, and medical electronics industries where customers choose to outsource production of certain components and parts, as well as functions in the production process. A customer's decision to outsource is affected by its ability and capacity for internal manufacturing and the competitive advantages of outsourcing.

The Company's industry depends on the continuing trend of increased outsourcing by its customers. Future growth in its revenue depends on new outsourcing opportunities in which it assumes additional manufacturing and supply chain management responsibilities from its customers. To the extent that these opportunities do not materialize, either because the customers decide to perform these functions internally or because they use other providers of these services, the Company's future growth could be limited.

The Company believes that its global footprint with manufacturing operations in Asia, Europe, and North America, its global supply chain systems and capabilities, and its design services will continue to provide strategic advantages for customers to outsource parts of their product development and manufacturing processes to the Company.

IMI's industry may experience shortages in, or rises in the prices of components, which may adversely affect business

There is a risk that the Company will be unable to acquire necessary components for its business as a result of strong demand in the industry for those components or if suppliers experience any problems with production or delivery.

The Company is often required by its customers to source certain key components from customer-nominated and accredited suppliers only, and it may not be able to obtain alternative sources of supply should such suppliers be unable to meet the supply of key components in the future. Shortages of components could limit its production capabilities or cause delays in production, which could prevent it from making scheduled shipments to customers.

If the Company is unable to make scheduled shipments, it may experience a reduction in its sales, an increase in costs, and adverse effects on its business. Component shortages may also increase costs of goods sold because it may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components.

To the extent possible, the Company works closely with customers to ensure that there are back up suppliers or manufacturers for customer-supplied components or components supplied by customer-nominated suppliers to mitigate uncertainties in the supply chain. In addition, the Company has established supplier certification and development programs designed to assess and improve suppliers' capability in ensuring uninterrupted supply of components to the Company.

Any shortage of raw materials or components could impair IMI's ability to ship orders of its products in a cost-efficient manner or could cause IMI to miss its delivery requirements of its retailers or distributors, which could harm IMI's business

The ability of the Company's manufacturers to supply its products is dependent, in part, upon the availability of raw materials and certain components. The Company's manufacturers may experience shortages in the availability of raw materials or components, which could result in delayed delivery of products to the Company or in increased costs to it. Any shortage of raw materials or components or inability to control costs associated with manufacturing could increase the costs for the Company's products or impair its ability to ship orders in a timely cost-efficient manner. As a result, it could experience cancellation of orders, refusal to accept deliveries, or a reduction in the Company's prices and margins, any of which could harm the Company's financial performance and results of operations. Other than for customer-nominated suppliers or specialty components for the manufacture of specific products, the Company is not dependent on a single supplier for its raw materials.

IMI may be exposed to risk of inventory obsolescence and working capital tied up in inventories

As an EMS provider, the Company may be exposed to a risk of inventory obsolescence because of rapidly changing technology and customer requirements. Inventory obsolescence may require it to make adjustments to write down inventory to the lower of cost or net realizable value, and its operating results could be adversely affected. The Company is cognizant of these risks and accordingly exercises due diligence in materials planning. The Company also provides in its inventory systems and planning a reasonable amount for obsolescence. It is working with key suppliers to establish supplier-managed inventory arrangements that will mutually reduce the risk. In addition, the Company often negotiates buy back arrangements with customers where, in the event the customers' purchase orders are delayed, canceled, or enter in the end-of-life phase, the customers assume the risk and compensate the Company for the excess inventory.

IMI may, from time to time, be involved in legal and other proceedings arising out of its operations.

The Company may, from time to time, be involved in disputes with its employees and various parties involved in its manufacturing operations, including contractual disputes with customers or suppliers, labor disputes with workers or be exposed to damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs, delays in the Company's development schedule, and the diversion of resources and management's attention. The Company may also have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavorable decisions that result in penalties and/or delay the development of its projects. In such cases, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

IMI is highly dependent on the continued service of its directors, members of senior management and other key officers

The Company's directors, members of its senior management, and other key officers have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. Key executives and members of management of the Company include CEO, President and COO, CFO, Chief Procurement Officer, Leaders of Strategic Business Development and Mergers and Acquisitions, Global Sales and Marketing, Global HR, Global Design and Development, Global Advanced Manufacturing Engineering, and Global Quality, and Plant General Managers (GMs). In the event that the Company loses the services of any such person and is unable to fill any vacant key executive or management positions with qualified candidates, or if the qualified individual takes time to learn the details of the Company, the Company's business and results of operations may be adversely affected.

Any deterioration in IMI's employee relations could materially and adversely affect the Company's operations

The Company's success depends partially on the ability of the Company, its contractors, and its third party marketing agents to maintain productive workforces. Any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's, its contractors' or its third party marketing agents' employee relations could have a material and adverse effect on the Company's financial condition and results of operations. There have been no historical events related to strikes or protests from its employees or unions, given the well-established employee relations of the Company.

IMI's success depends on attracting, engaging, and retaining key talents, including skilled research and development engineers

In order to sustain its ability to complete contracted services and deliver on commitments and promote growth, the Company will have to continuously attract, develop, engage and retain skilled workforce highly capable to achieve business goals. The Company recognizes that its competitiveness is dependent on its key talent pipeline, including leadership, talent and skill pool, and succession plan.

The Company continuously identifies top-caliber candidates and keeps the pipeline full to be ready to assume new roles and fuel growth. The Company has a strong ability to hire in terms of the quality of recruits as well as in scale. Specifically, there is strong recruitment in Philippines and in China, having been able to tie up with universities. In the case of an immediate need for to provide manpower, there are contractual agreements at hand to meet the demand. They have the ability to rapidly organize and train skilled workers for new products and services and retain qualified personnel.

The Company also leverages on its global reach to identify, recruit and develop the right employees who can be deployed to the various operating units or divisions of the Company. It also implements on a regular basis pertinent employee training and development programs, including a cadetship program that enables it to tap and employ capable graduates from different leading universities. The Company has implemented proactive measures to retain employees through sound retention programs, encouraging work-life balance among its employees, and providing structured career development paths to promote career growth within the organization and loyalty to the Company.

RISKS RELATING TO COUNTRIES WHERE THE COMPANY OPERATES (INCLUDING THE PHILIPPINES)

IMI conducts business in various jurisdictions, exposing it to business, political, operational, financial, and economic risks due to its operations in these jurisdictions

There is no assurance that there will be no occurrence of an economic slowdown in the countries where the Company operates, including the Philippines. Factors that may adversely affect an economy include but are not limited to:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market,
- scarcity of credit or other financing, resulting in lower demand for products and services
- the sovereign credit ratings of the country,
- exchange rate fluctuations,
- a prolonged period of inflation or increase in interest rates,
- changes in the relevant government's taxation policies,
- natural disasters, including typhoons, earthquakes, fires, floods and similar events,
- political instability, terrorism or military conflict, and
- other regulatory, political or economic developments in or affecting the Company

Notwithstanding the foregoing, the global operations, marketing, and distribution of the Company's products inherently integrate the impact of any economic downturn affecting a single country where the Company operates, and enables the Company to shift the focus of its operations to other jurisdictions.

The Company's manufacturing and sales operations are located in a number of countries throughout Asia, Europe, and North America. As a result, it is affected by business, political, operational, financial, and economic risks inherent in international business, many of which are beyond the Company's control, including difficulties in obtaining domestic and foreign export, import, and other governmental approvals, permits, and licenses, and compliance with foreign laws, which could halt, interrupt, or delay the Company's operations if it is unable to obtain such approvals, permits, and licenses, and could have a material adverse effect on the Company's results of operations.

Changes in law including unexpected changes in regulatory requirements affect the Company's business plans, such as those relating to labor, environmental compliance and product safety. Delays or difficulties, burdens, and costs of compliance with a variety of foreign laws, including often conflicting and highly prescriptive regulations also directly affect the Company's business plans and operations, cross-border arrangements and the inter-company systems.

Increases in duties and taxation and a potential reversal of current tax or other currently favorable policies encouraging foreign investment or foreign trade by host countries leading to the imposition of government controls, changes in tariffs, or trade restrictions on component or assembled products may result in adverse tax consequences, including tax consequences which may arise in connection with inter-company pricing for transactions between separate legal entities within a group operating in different tax jurisdictions, also result in increases in cost of duties and taxation.

Actions which may be taken by foreign governments pursuant to any trade restrictions, such as "most favored nation" status and trade preferences, as well as potential foreign exchange and repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions may adversely affect the Company's business and financial condition.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the Government has instituted restrictions on the ability of foreign companies to use foreign exchange revenues or to convert Philippine pesos into foreign currencies to satisfy foreign currency- denominated obligations, and no assurance can be given that the Government will not institute such or other restrictive exchange policies in the future.

A substantial portion of the Company's manufacturing operations is located in China, which has regulated financial and foreign exchange regime. The Company continuously evaluates the options available to the organization to ensure maximum usage of excess liquidity. Among others, excess liquidity may be repatriated out of China through dividend payments, payment of management service or royalty fees, use of leading and lagging payment, and transfer pricing.

Environmental laws applicable to IMI's projects could have a material adverse effect on its business, financial condition or results of operations

The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of any environmental law or regulation occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties.

Any political instability in the Philippines and the countries where IMI operates may adversely affect the business operations, plans, and prospects of the Company

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business.

Macro-economic conditions of different countries where IMI operates may adversely affect the Company's business and prospectus

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by each of Standard & Poor's, and Moody's to investment-grade, no assurance can be given that Standard & Poor's, or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Parent Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available

In addition, some countries in which the Company operates, such as the Czech Republic and Mexico, have experienced periods of slow or negative growth, high inflation, significant currency devaluations, or limited liability of foreign exchange. In countries such as China and Mexico, governmental authorities exercise significant influence over many aspects of the economy which may significantly affect the Company.

Furthermore, the risk of imposing big border tax to US manufacturers that move jobs outside the country will have impact to where the company operates, particularly Mexico. In January 2017, US President Donald

Trump has met with executives of the Big Three U.S. automakers and told the executives of General Motors, Ford and Fiat Chrysler that he was going to make it easier for them to invest in the country. He will reduce the taxes and unnecessary regulations to those manufacturing in the United States. Trump began singling out companies that were planning investments in Mexico that involved moving American jobs. Trump promised a big border tax on cars shipped from Mexico into the United States.

On an as-need basis, the Company seeks the help of consultants and subject matter experts for changes in laws and regulations that may have a significant impact in the Company's business operations. It also maintains good relationship with local government, customs, and tax authorities through business transparency and compliance and/or payment of all government-related assessments in a timely manner. The Company has been able to overcome major crises brought about by economic and political factors affecting the countries where it operates. The strong corporate governance structure of the Company and its prudent management team are the foundations for its continued success. The Company also constantly monitors its macroeconomic risk exposure, identifies unwanted risk concentration, and modifies its business policies and activities to navigate such risks.

There is no single customer that the Company is dependent on or accounts for more than 15% of the Company's revenues. The Company also serves global customers which are not concentrated on a specific geographic market.

Severe macroeconomic contractions may conceivably lead the Company to tweak or modify its investment decisions to meet the downturn. As a holding company, the Company affirms the principles of fiscal prudence and efficiency in the operations to its subsidiaries operating in various countries.

IMI faces risks of international expansion and operation in multiple jurisdictions

The Company expects to have an international customer base which may require worldwide service and support. The Company may expand its operations internationally and enter additional markets, which will require significant management attention. Any such expansion may cause a strain in existing management resources.

The distances between the Company, the customers, and the suppliers globally, create a number of logistical and communications challenges, including managing operations across multiple time zones, directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations, and coordinating the activities and decisions of the Company's management team, the members of which are spread out internationally.

While the Company tries to keep its local expertise, it established global functions to ensure that there is adequate coordination of activities. In addition, the availability and use of cell phones, e-mails, and internet based communication tools by the Company resulted in more efficient and timely coordination of activities and decision making by management from different sites and countries.

The Company aggressively pursues hiring of experienced international managers and staff globally. This enables the Company to ensure that it has sufficient manpower complement possessed with the required skills and experience to work with customers, vendors, and other partners in and out of the relevant country where it operates.

Natural or other catastrophes, including severe weather conditions and epidemics, that may materially disrupt IMI's operations, affect its ability to complete projects and result in losses not covered by its insurance

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and in November 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction and casualties of an as yet undetermined amount, in Tacloban, certain parts of Samar, and certain parts of Cebu City, all of which are located in the Visayas, the southern part of the Philippines. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's manufacturing facilities. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

Natural disasters, such as the 2008 earthquake in China, where most of the Company's manufacturing operations are located, could severely disrupt the Company's manufacturing operations and increase the Company's supply chain costs. These events, over which we have little or no control, could cause a decrease in demand for the Company's services, make it difficult or impossible for the Company to manufacture and deliver products and for the Company's suppliers to deliver components allowing it to manufacture those products, require large expenditures to repair or replace the Company's facilities, or create delays and inefficiencies in the Company's supply chain.

Any escalation in these events or similar future events may disrupt the Company's operations and the operations of the Company's customers and suppliers, and may affect the availability of materials needed for the Company's manufacturing services. Such events may also disrupt the transportation of materials to the Company's manufacturing facilities and finished products to the Company's customers.

There can be no assurance that the Company is fully capable to deal with these situations and that the insurance coverage it maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

Political instability or threats that may disrupt IMI's operations could result in losses not covered by the Company's insurance

No assurance can be given that the political environment in the Philippines will remain stable and any political instability in the future could reduce consumer demand, or result in inconsistent or sudden changes in regulations and policies that affect the Company's business operations, which could have an adverse effect on the results of operations and the financial condition of the Company.

Increased political instability threats or occurrence of terrorist attacks, enhanced national security measures, and conflicts, as well as territorial and other disputes, which strain international relations, may reduce consumer confidence and economic weakness.

Any impact on the following cases in countries in which the Company has operations could materially and adversely affect the Company's business plans and prospects, financial condition and results of operations.

The Philippines, China, and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Moreover, President Donald Trump's nominee for Secretary of State Rex Tillerson said China must be denied access to artificial islands it has built in the disputed waters. Trump had previously accused China of building a military fortress in the South China Sea. China claims more than 80 percent of the South China Sea, where it has built up its military presence as well as constructing the islands. Vietnam, the Philippines, Brunei, Malaysia and Taiwan claim parts of the same maritime area, a thriving fishing zone through which more than $5 trillion of trade passes each year. In July 2016, an international tribunal in The Hague ruled against China in a case brought by the Philippines, saying it had no historic rights to the resources within a dashed line drawn on a 1940s map that had formed the basis of its claims. While the court said the ruling was binding, China said the tribunal had no jurisdiction. China is also in dispute with Japan and India over claims to a separate set of islands.

President Donald Trump signed an executive order on 27 January 2017 that indefinitely suspends admissions for Syrian refugees and limits the flow of other refugees into the United States by instituting what the President has called "extreme vetting" of immigrants. The executive order on Protection of the Nation from Foreign Terrorist Entry into The United States is the start of tightening borders and halting certain refugees from entering the United States. The order bars all persons from certain "terror-prone" countries from entering the United States for 90 days and suspends the US Refugee Admissions Program for 120 days until it is reinstated "only for nationals of countries for whom" members of Trump's Cabinet deem can be properly vetted.

The “British exit of the European Union (EU)," or known as Brexit on 23 June 2016 is considered the most significant economic demerger between major economies since the Second World War. British vote to leave the European Union is likely to impose major instability on top of economic fragility and artificial financial markets. The Brexit referendum roiled global markets, including currencies, causing the British pound to fall to its lowest level in decades. In November 2016, the British High Court ruled that the government needs the Parliament's approval to trigger Article 50 of the Lisbon Treaty and begin the two-year process of withdrawing the UK from the EU. On 1 February 2017, Prime Minister Theresa May won votes from Members of Parliament in the House of Commons for the bill to invoke Article 50 and start the Brexit process in March 2017. The bill is expected to pass through debates in the Commons and the House of Lords by 7 March 2018, and upon royal assent from Queen Elizabeth II, to become an Act of Parliament.

Investors may face difficulties enforcing judgments against IMI

It may be difficult for investors to enforce judgments against the Company owing to its global operations, diverse residencies of its different officers, and assets located in different jurisdictions. It may particularly be difficult for investors to effect service of process upon any officer who is not a resident of the country where judgments from courts or arbitral tribunals are obtained outside or within the Philippines if these are predicated upon the laws of jurisdictions other than the country where such judgments are obtained.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction, (ii) the judgment is contrary to the laws, public policy, customs or public order of the Philippines, (iii) the party against whom enforcement is sought did not receive notice, or (iv) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

Changes in Philippine tax laws may adversely affect the Company’s business, revenues or expenses and increase the costs of owning shares in Philippine companies, including the Rights Shares

Initiatives by Philippine lawmakers are underway that are intended to revise the National Internal Revenue Code of 1997 (the “Tax Code”) through separate bills filed in the Senate and the House of Representatives. These proposals comprise the second package of initiatives to amend certain provisions of the Tax Code as part of the Government’s Tax Reform Acceleration and Inclusion Program. These proposals have yet to be finalized and there is no certainty that these initiatives will pass into law or what such a law may ultimately contain. If passed in their current form, certain of the bills seek to introduce changes to the Tax Code that may affect the Company or holders of the Company’s securities (including the Rights Shares), such as, among others: (a) reduction of the income tax rates on corporations to 25% or 29% from 30%; and (b) rationalization of fiscal incentives such that only those that were performance-based, time-bound, targeted and transparent will be granted to investors and inclusion of a sunset provision of a maximum of five (5) years for existing tax incentives. These remain subject to amendment in congress or veto by the President. There can be no assurance whether these measures, or any others, will be finalized and enacted into law in their present form, what changes may be proposed and finalized or as to the timeframe for such finalization, enactment and effectivity.

RISKS RELATING TO THE RIGHTS SHARES

There can be no guarantee that the Rights Shares will be listed on the PSE, or that there will be no other regulatory action that could delay or affect the Offer.

Purchasers of Rights Shares will be required to pay for such Rights Shares on the Settlement Date, which is expected to be on or before February 23, 2018. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Rights Shares onto the PSE, the market for the Rights Sahres will be illiquid and shareholders may not be able to trade the Rights Shares. This may materially and adversely affect the value of the Rights Shares. Furthermore, there is a risk that there may be other regulatory action that may be taken to delay or affect the Offer.

There has been a limited prior market for the Rights Shares, so there may be no liquidity in the market for the Rights Shares and the price of the Rights Shares may fall

The Common Shares are listed on the PSE. Trading volumes on the PSE have historically been significantly smaller than on major securities markets in more developed countries and have also been highly volatile. As of 31 October 2017, the Principal Shareholders beneficially own 74.2% of the Company's issued and outstanding Common Shares and, following the Offer, will beneficially own 62.5% of the Company's issued and outstanding Common Shares. As there has been limited liquidity in the Common Shares, there can be no assurance that an active market for the Rights Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price has been determined through a book-building process and discussions between the Company and the Underwriter, and not by reference to the historical trading price of the Common Shares. The price at which the Common Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

Shareholders may be subject to limitations on minority shareholders rights

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Philippine Corporation Code, however, provides for certain protective rights to minority shareholders by requiring a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock for certain corporate acts. The Philippine Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. See "Description of the Shares — Rights Relating to Shares — Appraisal Rights." Derivative actions are rarely brought on behalf of companies in the Philippines. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Common Shares will rise or fall or even lose all of its value. The market price of Common Shares could be affected by several factors, including:

- general market, political and economic conditions,
- changes in earnings estimates and recommendations by financial analysts,
- changes in market valuations of listed shares in general and other retail shares in particular,
- the market value of the assets of the Company,
- changes to Government policy, legislation or regulations, and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Common Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Common Shares.

Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings

In order to finance the expansion of the Company's business and operations, the Board will consider the funding options available to them at that time, which may include the issue of new Common Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Common Shares. Further, the market price of the Common Shares could decline as a result of future sales of substantial amounts of the Common Shares in the public market or the issuance of new Common Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Common Shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

There can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Investors may incur immediate and substantial dilution as a result of purchasing Rights Shares.

The Offer Price of the Common Shares may be substantially higher than the net tangible book value of net assets per share of the Company's outstanding Common Shares. Therefore, purchasers of Rights Shares may experience immediate and substantial dilution and the Company's existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Common Shares they own. See "Dilution" on page 56 of this Prospectus.

Future changes in the value of the Philippine Peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Common Shares and any dividends

The price of the Common Shares is denominated in Philippine Pesos. Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Common Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Pesos by the Company on, and the Peso proceeds received from any sales of, the Common Shares, as well as the book value of foreign currency assets, and income and expenses and cash flows in the Company's financial statements.

The Company may be unable to pay dividends on the Common Shares

Dividends declared by the Company on its shares of stock are payable in cash or in additional shares of stock. The Company currently does not have a minimum dividend policy, the payment of dividends in the future will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its Subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its Subsidiaries, and other factors the Board may deem relevant.

Declaration of cash dividends by the Company requires the approval of the Board, the declaration of stock dividends by the Company requires the approval of its Board and the approval of stockholders representing at least 2/3 of the outstanding capital stock.

Developments in other emerging market countries may adversely affect the Philippine economy and, therefore, the market price of the Rights Shares

In the past, the Philippine economy and the securities of Philippine companies have been, to varying degrees, influenced by economic and market conditions in other emerging market countries, as well as investors' responses to those conditions.

Although economic conditions are different in each country, investors' reactions to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. For example, the 1997 Asian economic crisis triggered market volatility in other emerging market countries' securities markets, including the Philippines. Accordingly, adverse developments in other emerging market countries could lead to a reduction in the demand for, and market price of the Rights Shares.

The ongoing military actions in the Middle East, the recession or economic slowdown experienced by Europe and the U.S. may have negative and unpredictable effects on the international, U.S. or Philippine economies or financial markets. The Company cannot predict what future effects these events may have on investors' perceptions of risk regarding investments in equity securities of companies in emerging markets or equity securities generally.

Sales or possible sales of a substantial number of Common Shares by the Company or one of its shareholders following the Listing could adversely affect the market price of the Rights Shares

If the Company or any of its shareholders issues and/or sells or is perceived as intending to issue and/or sell, as the case may be, a substantial amount of Common Shares, the market price of the Common Shares could materially decrease.

There may also be taxation implications resulting from the acquisition, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Rights Shares which will apply to the Company's shareholders whether in the Philippines or elsewhere.

Any prospective investors and/or the Company's shareholders should note that the laws applicable to the Company's shareholders may change, and they should consult their own advisers for specific advice concerning their possible obligations (including but not limited to legal obligation and tax obligations) as the Company's shareholders under the relevant laws.

RISKS RELATING TO CERTAIN STATISTICAL INFORMATION IN THIS PROSPECTUS

Certain information contained herein is derived from unofficial publications

Certain information in this Prospectus relating to the Philippines, the industries in which the Company competes and the markets in where the Company operates, including statistics relating to market size, are derived from various Government and private publications. This Prospectus also contains industry information which was prepared from publicly available third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. The information contained in the Industry section may not be consistent with other information. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by the Underwriter, nor any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

Non-verification of Certain Information

The section of this Prospectus entitled “Industry” was not independently verified by the Company, the Underwriter, or any of their respective affiliates or advisors.

EXCHANGE RATES

The PDS, a computer network supervised by the BSP, through which the members of the Bankers Association of the Philippines effect spot and forward currency exchange transactions, was introduced in 1992. The PDS was adopted by the BSP as a means to monitor foreign exchange rates. The BSP Rate is the closing spot rate for the purchase of U.S. dollars with Pesos, which is quoted on the PDS and published in the BSP's Reference Exchange Rate Bulletin and major Philippine financial press on the following business day. On 28 December 2016, the last business day in 2016 in the Philippines, the closing BSP Rate was ₱49.79 = US$1.00. On 6 February 2018, the closing BSP Rate was ₱51.43 = US$1.00.

The following table sets forth certain information concerning the BSP Rate between the Peso and the U.S. dollar for the periods and dates indicated, expressed in Pesos per US$1.00:

	Peso/U.S. dollar exchange rate			
Year	**Period end**	**Average(1)**	**High(2)**	**Low(3)**
2010	43.80	45.08	47.13	42.49
2011	43.84	43.30	44.59	41.97
2012	41.01	42.22	44.12	40.80
2013	44.40	42.47	44.73	40.56
2014	44.72	44.40	45.41	43.23
2015	46.91	45.54	47.47	44.06
2016	49.60	47.49	50.03	45.97
2017				
January	49.82	49.74	50.02	49.47
February	50.27	49.99	50.35	49.55
March	50.20	50.26	50.42	50.09
April……………………………………	50.11	49.81	50.18	49.40
May………………………………………	49.82	49.86	50.08	49.68
June………………………………………	50.47	49.91	50.55	49.41
July……………………………………….	50.49	50.65	50.86	50.49
August……………………………………	51.20	50.95	51.45	50.24
September………………………………	50.87	50.98	51.25	50.67
October…………………………………..	51.55	51.41	51.81	50.98

(1) Weighted average rate under the Philippine Dealing System ("PDS") starting August 4, 1992.

(2) Highest closing exchange rate for the period.

(3) Lowest closing exchange rate for the period.

Source: Reference Exchange Rate Bulletin, Treasury Department of the BSP.

USE OF PROCEEDS

The Company expects to raise gross proceeds of ₱4.998 billion from the Offer. After deducting estimated applicable taxes, fees and expenses related to the Offer, net proceeds to the Company are expected to be approximately ₱4.967 billion. Breakdown of the estimated proceeds and expenses are as follows:

In ₱	
Issue Size	4,998,000,000
Estimated Offer Expenses	
PSE Listing and Processing Fees	5,608,960
Philippine SEC Filing and Legal Research Fee	5,050,000
Estimated Professional Fees	17,500,000
Estimated Other Expenses	3,077,000
Total Estimated Offer Expenses	31,235,960
Net proceeds	4,966,764,040

The proceeds will be recognized as capital stock and additional paid-in capital in the equity portion of the balance sheet. Approximately 70% of the net proceeds is intended to be applied toward partly financing the Company's budgeted capital expenditure and while approximately 30% of the remaining net proceeds will be used for debt refinancing. None of the net proceeds will be used for working capital.

Capital Expenditure

The Company's expansion programs constitute a substantial portion of its US$75 million estimated capital expenditure for 2018. Accordingly, the Company expects that approximately ₱3.47 billion of the net proceeds will be allocated as follows: (a) ₱2.39 billion for the purchase of additional machineries and equipment; (b) ₱0.60 billion for construction of new buildings and facilities and other building improvements; (c) ₱0.18 billion for costs associated with the maintenance of plant and other facilities; (d) ₱0.30 billion for investments on IT infrastructure. The costs for (a) and (b) are intended to expand the Company's capacity and support expected increases in demand, while (c) and (d) are recurring maintenance expenses to sustain the Company's productivity and efficiency. All activities will be solely undertaken by the Company and its subsidiaries. Further details on capital expenditures are as follows:

Nature of CAPEX	**Description**	**Location**	**Total Amount**	**Expected Timing**	
				1H 2018	2H 2018
a) Machinery and equipment	₱1.0 billion new SMT lines and investments related to innovation and automation ₱0.6 billion various machineries related to expansion of new and existing businesses ₱0.8 billion maintenance / replacement	China, Mexico, Czech, Bulgaria, VIA Phils, Bulgaria, Mexico, Czech, VIA, China All sites	₱2.39 billion	₱1.60 billion	₱0.79 billion
b) Buildings and improvements	₱0.3 billion new manufacturing Facility in Serbia ₱0.2 billion new expansion buildings and other expansionary improvements	Serbia Czech, Phils, Bulgaria	₱0.60 billion	₱0.50 billion	₱0.10 billion

Nature of CAPEX	Description	Location	Total Amount	Expected Timing	
				1H 2018	2H 2018
	₱0.1 billion maintenance/replacement	All sites			
c) Maintenance of plant and other facilities	₱0.13 billion on tools and instruments (testers, filters, cleaners, solder, mixers, etc) ₱0.07 billion on facilities equipment and general facilities upgrade	All Sites	₱0.18 billion	₱0.13 billion	₱0.05 billion
d) IT infrastructure/ software	Software licenses, system upgrades, hardware, computers	All Sites	₱0.30 billion	₱0.16 billion	₱0.14 billion
TOTAL			**₱3.47 billion**	**₱2.39 billion**	**₱1.09 billion**

Refinancing of Debt

The Company recently had significant increase in bank debts to finance the recent acquisitions done in 2016 and 2017. A portion of the proceeds would be used to pay such debts to reduce leverage.

On 16 August 2016, IMI through its subsidiary Cooperatief IMI Europe U.A. (Cooperatief) and the shareholders of VIA Optronics GmbH entered into a Sale and Purchase Agreement (SPA) under which Cooperatief acquired a 76.01% stake in VIA for a total cash consideration of €47.79 million ($53.46 million), while the remaining 23.99% to be retained by the founder of VIA. The transaction was closed on 14 September 2016. This transaction represents a unique opportunity to accelerate IMI's growth and broaden VIA's opportunities by leveraging off of IMI's global footprint and resources. Together, IMI and VIA will be best positioned to revolutionize the way the world experiences vision and touch on displays. The acquisition will allow IMI to strengthen its partnerships with customers by offering complementary automotive camera and display monitor solutions for advanced driver assistance systems. The acquisition was funded partially by debt and partially through internal funds.

On 6 April 2017, IMI has entered into an agreement with the shareholders of Surface Technology International Enterprises Limited (STI) for the acquisition by IMI, through its subsidiary IMI UK, of an 80% stake in STI, an electronics manufacturing services (EMS) company based in the United Kingdom, with factories in Hook and Poynton in the United Kingdom and Cebu, Philippines. The closing of the transaction transpired on 16 May 2017 upon completion of pre-closing conditions and regulatory approvals. The acquisition of STI will help strengthen its industrial and automotive manufacturing competencies, broaden its customer base, and will also provide access to the UK market through two acquired factories. Further, the partnership allows the group's entry into the aerospace, security and defense sectors. The initial purchase consideration of GBP23M was in cash which was funded through bank debt. The deferred consideration will be based on the actual normalized EBITDA performance for 2018 and 2019 less adjustments.

The Company intends to use up to ₱1.498 billion of the net proceeds to settle short-term debt obligations with the financial institutions set out below. These borrowings are short-term with interest rates ranging from 2.00% to 2.40% per annum which were incurred initially to fund recent acquisitions.

Financial Institution	Principal Amount (US$)	Peso Equivalent (Ph~~₱~~[1])	Interest Rate	Issue Date (Renewal)
Mizuho Bank	$9,000,000	₱ 449,370,000	2.40%	16-Jan-18
Mizuho Bank	$6,000,000	₱ 299,580,000	2.02%	30-Oct-17
Security Bank	$7,000,000	₱ 349,510,000	2.00%	30-Oct-17
Security Bank	$3,000,000	₱ 149,790,000	2.3425%	12-Jan-18 (original PN 16-Jun 2017 valid up to one year)
CTBC Bank	$5,000,000	₱ 249,650,000	2.20%	22-Dec-17

Information continued:

Financial Institution	Maturity Date	Terms (Days)	Remaining Balance	Peso Equivalent (Ph~~₱~~)
Mizuho Bank	16-Mar-18	59	$9,000,000	₱ 449,370,000
Mizuho Bank	29-Jan-18	91	$6,000,000	₱ 299,580,000
Security Bank	29-Jan-18	91	$7,000,000	₱ 349,510,000
Security Bank	13-Mar-18 (original maturity 13-Dec-2017; PN valid up to one year)	60	$3,000,000	₱ 149,790,000
CTBC Bank	23-Mar-17	91	$5,000,000	₱ 249,650,000

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans and expenditures.

The actual amount and timing of disbursement of the net proceeds from the Offer for the use stated above will depend on various factors, including those external to the Company. To the extent that the net proceeds from the Offer are not immediately applied to the above purpose, the Company will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments.

Should there be a shortfall in the proceeds, the Company will finance the expenditures through internal funds and credit facilities.

In the event of any material deviation or substantial adjustment in the planned use of proceeds, the Company will issue the appropriate disclosures to the SEC and PSE to inform its shareholders at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, will be approved by the Company's Board of Directors and disclosed to the SEC and the PSE. In addition, the Company will submit via the PSE's Online Disclosure System, the PSE EDGE Portal, the following disclosures to ensure transparency in the use of proceeds:

- any disbursements made in connection with the planned use of proceeds from the Offer;
- Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following fiscal quarter, the quarterly progress reports will be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- annual summary of the application of the proceeds on or before 31 January of the following year, the annual summary report will be certified by the Company's Chief Financial Officer or Treasurer and external auditor; and
- approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation will be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual to be submitted by the Company as regards the above will include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation will state the approval of the Board as required in item (iv) above.

PLAN OF DISTRIBUTION

The Rights Shares shall be offered on a pro-rata basis to existing holders of Common Shares of the Company as of the Record Date of February 14, 2018. Under the PSE's Revised Listing Rules, the Company, subject to the approval of the PSE, shall set the Record Date which shall not be less than fifteen (15) trading days from approval of the PSE board of directors.

The Offer shall be in the proportion of one (1) Rights Share for every 5.3351 Common Shares held as of the Record Date at an Offer Price of ₱14.28 per Rights Share.

The unexercised Rights Shares shall be offered to those shareholders who had previously exercised their rights and had signified their intention to subscribe to any unsubscribed Rights Shares via payment of the total Offer Price of the Rights Shares they wish to subscribe in excess of their entitlements. The allocation of Additional Rights Shares to shareholders will be subject to the ultimate discretion of the Company, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied. Moreover, the maximum number of Additional Rights Shares to which an applicant is entitled to subscribe shall be in the proportion to the number of Common Shares held by such applicant as of the Record Date to the total number of Common Shares held by all applicants to Additional Rights Shares as of the Record Date.

Holdings of existing Common Shares in certificated and scripless forms will be treated as separate holdings for the purpose of calculating entitlements under the Offer. Fractions of Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company.

BPI Capital will firmly underwrite the Offer. In this connection, the parent company, ACI and Resins, which beneficially own an aggregate of 63.46% of the Company, have committed and undertaken to the Company and the Underwriter that it shall subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. Thus, if any shareholder fails to subscribe to all the Rights Shares, ACI and Resins will take up any remaining unsubscribed Rights Shares after the mandatory second round of the Offer. Should ACI and Resins fail to subscribe to all the remaining Rights Shares, BPI Capital will take up any remaining unsubscribed Rights Shares pursuant to its role as Underwriter.

Relationship of the Underwriter with the Issuer

BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placements, project finance and loan syndication. Founded in December of 1994, BPI Capital Corporation is duly licensed by the SEC to engage in the underwriting and distribution of securities. As of 31 October 2017, BPI Capital had total assets of ₱3.37 billion and total capital funds of ₱3.27 billion. BPI Capital Corporation is a wholly-owned subsidiary of Bank of the Philippine Islands. The capital stock of IMI is effectively 50.64% held by ACI. ACI is a wholly-owned subsidiary of Ayala Corporation, which also effectively holds 50.57% of the Bank. BPI Capital does not have any right to designate or nominate a member of the Board of the Company.

Lock-Up

The lock-up period is voluntary. The Company has agreed with the Underwriter that, other than in connection with the issuance of Rights Shares for purposes of the Offer, neither the Company nor any person acting on its behalf will, for a period of 90 days after the Listing Date, without the prior written consent of the Underwriter, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Common Shares, including equity swaps, forward sales and options.

DIVIDENDS AND DIVIDEND POLICY

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries depending on its business requirements.

The Philippine Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation, (ii) when the required consent of any financing institution or creditor to such distribution has not been secured, (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies, or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend History

Stock Dividends

CLASS	DECLARATION DATE	PERCENT	RECORD DATE	PAYMENT DATE
Common	12 August 2010	15%	31 August 2010	24 September 2010

Cash Dividend

CLASS	DECLARATION DATE	RATE/SHARE	RECORD DATE	PAYMENT DATE
Common	8 April 2010	US$0.0024/₱0.11	30 April 2010	27 May 2010
Common	23 February 2011	US$0.00099/ ₱0.044	9 March 2011	4 April 2011
Common	17 February 2014	US$0.00140 or ₱0.06319	3 March 2014	19 March 2014
Common	17 February 2015	US$0.0042 or ₱0.1868	4 March 2015	19 March 2015
Common	6 February 2016	US$0.0046 or ₱0.2204	23 February 2016	10 March 2016
Common	4 April 2017	US$0.004529 or ₱0.22739	20 April 2017	4 May 2017
Preferred	21 January 2010	8.25%	8 February 2010	22 February 2010
Preferred	21 January 2010	8.25%	10 May 2010	21 May 2010
Preferred	21 January 2010	8.25%	9 August 2010	24 August 2010
Preferred	21 January 2010	8.25%	8 November 2010	22 November 2010
Preferred	14 February 2011	8.25%	8 February 2011	21 February 2011
Preferred	23 February 2011	8.25%	9 May 2011	20 May 2011
Preferred	23 February 2011	8.25%	17 August 2011	23 August 2011
Preferred	23 February 2011	8.25%	9 November 2011	22 November 2011
Preferred	5 December 2011	8.25%	8 February 2012	21 February 2012
Preferred	5 December 2011	8.25%	9 May 2012	21 May 2012
Preferred	5 December 2011	8.25%	10 August 2012	23 August 2012
Preferred	5 December 2011	8.25%	9 November 2012	22 November 2012
Preferred	10 December 2012	8.25%	8 February 2013	21 February 2013
Preferred	10 December 2012	8.25%	8 May 2013	21 May 2013
Preferred	10 December 2012	8.25%	9 August 2013	23 August 2013
Preferred	10 December 2012	8.25%	11 November 2013	22 November 2013
Preferred	29 November 2013	2.90%	7 February 2014	21 February 2014
Preferred	29 November 2013	2.90%	7 May 2014	21 May 2014
Preferred	29 November 2013	2.90%	7 August 2014	22 August 2014
Preferred	29 November 2013	2.90%	7 November 2014	21 November 2014
Preferred	2 December 2014	2.90%	6 February 2015	20 February 2015
Preferred	2 December 2014	2.90%	8 May 2015	22 May 2015
Preferred	2 December 2014	2.90%	7 August 2015	24 August 2015
Preferred	2 December 2014	2.90%	11 November 2015	25 November 2015

Dividend Policy

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

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

The Subsidiaries have not adopted any formal dividend policies. Dividend policies for the Subsidiaries shall be determined by their respective Boards of Directors.

The Company currently does not have a minimum dividend policy: the payment of dividends in the future will depend upon the earnings, cash flow, and financial condition of the Company and other factors.

Recent Sale of Securities

The following shares were subscribed by the Company's executives as a result of their subscription to the stock ownership (ESOWN) plans:

Year	**No. of Shares***
2016	0
2015	9,743,144
*Net of cancelled subscriptions	

On 20 July 2004, the SEC approved the issuance of 150,000,000 ESOWN shares as exempt transactions pursuant to Section 10.2 of the Securities Regulation Code.

DETERMINATION OF THE OFFER PRICE

The Rights Shares are being offered to all Eligible Shareholders at the Offer Price of ₱14.28 per Rights Share. The Offer Price represents a 25.3% discount to the Volume Weighted Average Price of the Company's Common Shares traded in the PSE for the 30-day trading period immediately preceding the pricing date of February 7, 2018.

CAPITALIZATION AND INDEBTEDNESS

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

The following table sets out the Company's indebtedness and capitalization as of 31 October 2017, and as adjusted to reflect the issuance of the Rights Shares, after payment of applicable taxes, fees and expenses related to the Offer.

In US$ thousands	**31 October 2017**	**Rights Share Offering Adjustments**	**31 October 2017 As Adjusted**
Loans and trusts receipts payable	123,261		123,261
Long-term bank borrowings	138,148		138,148
Total bank debt	**261,409**		**261,409**
Less cash and cash equivalents	67,559		67,559
Net bank debt	**193,850**		**193,850**
Equity attributable to equity holders of the Parent Company	**250,054**	**99,475**[4]	**349,529**
Debt-to-equity ratio	1.05:1		0.75:1
Net debt-to-equity ratio	0.78:1		0.55:1

No changes were made in the objectives, policies and processes since the period ended 31 October 2017.

The Company is not subject to externally imposed capital requirements.

The Company 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.

[4] US$ 1 = ₱ 49.93 as of 29 December 2017 applied to net proceeds of ₱ 4,966,761,800.

DILUTION

After completion of the Offer, Eligible Shareholders who exercise their rights to purchase their proportionate Rights Shares will not suffer any dilution in their respective shareholdings in the Company.

The net tangible book value of the Company as of 31 October 2017 was ₱6.69 per share. Net book value represents the amount of the Company's total assets less its total liabilities and non-controlling interests.

Upon receipt of the estimated approximately ₱4.967 billion net proceeds of the Offer and the issuance of a total of 350,000,000 new common shares pursuant to the Offer, the Company's pro-forma net book value would be approximately ₱7.87 per common share. This represents an immediate increase of ₱1.18 per common share for existing holders of common shares.

The following table illustrates the calculation of the net book value per common share before and after the Offer:

Net Book value as of 31 October 2017 (a)	₱12,485,196,220
Issued and outstanding common shares as of 31 October 2017 (b)	1,867,293,215
Net book value per share as of 31 October 2017 (c)[1]	₱6.69
Pro-forma net book value after the Offer (d)[2]	₱17,451,958,020
Issued and outstanding common shares after the Offer (e)	2,217,293,215
Pro-forma net book value per share after the Offer (f)[3]	₱7.87
Increase per share to Existing Shareholders attributable to the Offer[4]	₱1.18[5]

Notes:
[1] Computed by dividing (a) by (b)
[2] Based on the Company's net book value as computed in (a) and adding the net proceeds of the Offer
[3] Computed by dividing (d) by (e)
[4] Computed by subtracting (c) from (f)

[5] The unaudited interim consolidated financial statements of the Company as of 31 October 2017 and for the ten months period ended 31 October 2017 and 2016 are presented in United States Dollar (USD). The net book value as of 31 October 2017 is translated using the USD/PHP conversion rate of US$ 1 = ₱ 49.93 as of 29 December 2017

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

The following discussion of the Company's financial results should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements and notes thereto contained in this Prospectus and the section entitled "Selected Financial and Operating Information."

This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

Utilization of Factory Overhead

The Company's overhead costs account for a significant portion of its expenses. Such costs are usually related to capacity and are generally fixed in the short to medium term. To a certain extent, as utilization increases, driven by revenue growth, cost reduction and productivity improvements, the Company's marginal costs decrease. The Company's ability to manage utilization of its international facilities, whether as a result of consolidating or reallocating production supply and demand, as well as cost management and productivity are primary drivers of in its profitability.

Product Mix

In response to a very dynamic operating environment and the intense industry competition, the Company focuses on high-growth and specialized product niches and seeks to provide higher value added services to its customers. The Company further focuses on longer life cycle industries particularly automotive, and telecommunication infrastructure to promote revenue stability as well as to avoid costly model and design changes. The estimated product life cycle, as well as segment contribution of the industries the Company serves, is illustrated in the following table.

				Revenue Contribution (As a % to Total Revenues)				
	Estimated Product Life Cycle	For the ten months ended 31 October		For the nine months ended 30 September		For the year ended 31 December		
		2017	2016	2017	2016	2016	2015	2014
Automotive	8 to 10 years	41%	45%	41%	45%	45%	43%	38%
Industrial	8 to 12 years	17%	18%	16%	18%	18%	14%	13%
Telecommunications	3 to 5 years	14%	19%	14%	20%	19%	19%	21%
Consumer	2 to 3 years	18%	7%	19%	7%	8%	10%	12%
Computer Peripherals		1%	1%	1%	1%	1%	3%	6%
Medical	8 to 10 years	2%	3%	2%	3%	3%	3%	3%
Aerospace/ Defense		2%	-	2%	-	-	-	-
Multiplt markets/ Others		5%	7%	5%	6%	6%	8%	8%

The effects of price competition and other business and competitive factors generally affecting the EMS industry

The Company's performance is affected by its ability to compete and by the competition it faces from other global EMS companies. While it is unlikely for EMS companies to pursue identical business activities, the industry remains competitive. Competitive factors that influence the market for the Company's products and services include: product quality, pricing and timely delivery.

The Company is further dependent on its customers' ability to compete and succeed in their respective markets for the products that the Company manufactures.

Other factors affecting international operations

Other factors that may affect our operations include foreign currency fluctuations as well as cost structures unique to each of our international sites. The Company's revenues are denominated in US Dollars and Euros, while expenses are denominated in the local currency where the facility is located. The Company hedges these exposures to manage foreign currency volatility and smoothen the effects of foreign currency fluctuation over time.

Low production costs and proximity to large growing markets have driven the Company to establish facilities in China, Europe, and Mexico through the years. The Company believes that its operations in these areas allow the Company to optimize the balance of labor and supply chain costs, which allows it to better compete in its industry. The table below illustrates the revenue contribution of each of our international sites:

	Revenue Contribution Per International Site (As a % to Total Revenues)						
	For the ten months ended 31 October		**For the nine months ended 30 September**		**For the years ended 31 December**		
	2017	**2016**	**2017**	**2016**	**2016**	**2015**	**2014**
Philippines	25%	31%	24%	31%	30%	33%	29%
China/SG	25%	31%	25%	32%	31%	34%	39%
Europe/Mexico	33%	37%	33%	37%	37%	33%	32%
Germany/UK	17%	1%	17%	0%	2%	0%	0%

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of the Company's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future solution of the uncertainties increase, those judgments become even more subjective and complex. To provide an understanding of how the Company's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, the critical accounting policies discussed below have been identified. While the Company believes that all aspects of its financial statements should be studied and understood in assessing its current and expected financial condition and results of operations, the Company believes that the following critical accounting policies warrant particular attention.

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities affected in future periods. Significant accounting policies, methods, judgments, estimates and assumptions used in the preparation of our consolidated financial statements are described and disclosed under "Summary of Significant Accounting and Financial Reporting Policies" and "Significant Accounting Judgments, Estimates and Assumptions" of the 2016 annual audited consolidated financial statements. The Group's critical accounting policies are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning 1 January 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance, unless otherwise indicated.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments resulted in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

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 beginning on or after 1 January 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4
  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  The Group is currently assessing the impact of PFRS 15.

- PFRS 9, *Financial Instruments*
  The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)
  These amendments are not expected to have any impact on the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC 22*, Foreign Currency Transactions and Advance Consideration*
  These amendments are not expected to have any impact to the Group.

Effective beginning on or after 1 January 2019

- PFRS 16, *Leases*
  The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

DESCRIPTION OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

Revenues from Sales of Goods – revenues arising from turnkey businesses wherein the Company provides materials sourcing and management, labor and overhead support, aside from manufacturing processes and equipment

Revenues from Sales of Services – revenues arising from arrangement wherein customers provide materials and equipment and the Company renders assembly services

Cost of Goods Sold and Services – costs attributable to the production of goods sold by the Company which include costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Operating Expenses – expenses incurred in carrying out the Company's day-to-day activities but not directly associated with production. These expenses are further subdivided into selling expenses and general & administrative expenses.

Net Finance and Other Income (Expense) – these comprise non-operating items such as finance/interest costs, interest income, foreign exchange gains or losses and other income not arising from activities not related to the Company's core operations.

Provision for Income Taxes – an amount that estimates the Company's income tax liability for a certain period

Net Income (Loss) Attributable to the Equity Holders of the Parent Company – net profit attributable to controlling interests or share of the Parent Company's stockholders.

Net Income Attributable to Non-controlling Interests – share in the net profit of minority stockholders

Results of Operations

	For the ten months ended 31 October	
	2017	**2016**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$889,840**	$690,093
Cost of Goods Sold and Services	**789,019**	610,458
Gross Profit	**100,821**	79,635
Net Income Attributable to Equity Holders of the Parent Company	**20,762**	25,768
EBITDA[6]	**55,246**	55,766
Basic Earnings per Share (EPS)	**$0.011**	$0.014

Revenues from Sales and Services

The Company posted $889.8 million (₱44.75 billion,) revenues for the first ten months of 2017, an increase of 29% year-on-year due to positive effects of recent acquisitions and a rising demand in the automotive and industrial segments.

Revenues from Europe and Mexico operations surged 16% year-on-year to $297.5 million in the first ten months driven by increasing demand for automotive lighting, an innovative global megatrend for safety and performance. Ongoing expansions and new product introduction carried out in Mexico plant to support North America requirements also bolstered the group revenues.

Philippine operations increased 4% to $220.3 million strengthened by new industrial applications despite drop in demand in the security and medical device business.

The Company's China operations posted $219.4 million in revenues, up 2% year-on-year, as a result of demand decline in the telecom infrastructure business, but offset by positive growth in automotive and industrial segments.

The two recent acquisitions, VIA and STI, contributed a combined $153.2 million in revenues.

The Company's key focus markets, automotive and industrial which grew 19% year-on-year, continue to show high potential for growth.

Gross Profit and Gross Profit Margin

The Company's operations generated gross profit of US$100.8 million or ₱5.07 billion, higher year-on-year by 27% mainly from strong revenue growth. In addition, continued focus on LEAN manufacturing and improved utilization of fixed overhead partially offset the lower gross profit margin mix coming from the new acquisitions.

Operating Income

Operating income is at $29.0 million or ₱1.45 billion, a 20% decrease from last year. Increase in GP was countered by increase in GAE mainly from the expenses recognized in relation to the sale of Shenzhen Speedy-Tech Electronics Co., Ltd (STSZ) and transfer to the Pingshan facility. The relocation costs consist of partial employee pay-out amounting to $5.91 million and incidental expenses such as rental, machine transfer, overtime during transition, dormitory expense, security / janitorial, transportation and system transfer aggregating to $0.67 million. Based on labor employment contract regulations, it is not allowed to transfer location or legal entity without proper consent from each employee. Upon mutual agreement, the employees opted to be disengaged from the previous company and transfer to the new company with appropriate

[6] *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.*

compensation. The move is in line with the urban redevelopment projects of the Shenzhen City government and should not be considered as a discontinued operation.

Other reasons for the decline include increase in people costs in Europe, transaction costs related to the acquisition of STI and amortization of intangible assets arising from the recognition of increase in fair values of VIA intellectual properties and start of depreciation related to new projects upon mass production.

Net Income

The Company's net income attributable to the owners of the Parent is $20.8 million or ₱1.05 billion, a decrease of 19% percent year-on-year driven by acquisition-related costs amounting to US$4.1 million which include transaction costs, interests and taxes, and amortization of intangibles, and US$6.6 million relocation costs.

Excluding the one-off relocation expense and acquisition related costs, net income attributable to the owners of the Parent should have been US$31.5 million, 22% higher than last year's US$25.8 million.

EBITDA

EBITDA lower by US$0.5 million or 1% due to lower operating income before depreciation and amortization -US$7.1 million offset by beneficial FX position +$3.6 million. Excluding one-off relocation costs, EBITDA should have been higher by 8%.

Financial Condition

The Company's current capital structure is at 1.05:1 D/E ratio. The recent increase is driven by strong capital expenditures of $52.20 million in line with expansion programs and newly-acquired company in UK. The increased leverage will facilitate investments in desirable growth opportunities.

For the full year of 2017, the Company expects to spend $60.0M for capital expenditures for existing operations and new expansion projects.

Key Performance Indicators of the Company

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

	As of end	
	31 Oct 2017	31 Dec 2016
Performance indicators		
Liquidity:		
Current ratio[a]	1.23x	1.51x
Solvency:		
Debt-to-equity ratio[b]	1.05x	0.74x

	For the ten months ended 31 Oct	
	2017	2016
Operating efficiency:		
Revenue growth[c]	29%	-2%
Profitability:		
Gross profit margin[d]	11.3%	11.5%
Net income margin[e]	2.3%	3.7%
Return on equity[f]	8.5%	10.7%
Return on common equity[g]	8.5%	10.7%
Return on assets[h]	2.4%	3.8%
[7]EBITDA margin	6.2%	8.1%

[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.

[7] *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.*

(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
(Ten months ended 31 October 2017 versus 31 October 2016)

29% increase in Revenues ($690.1M to $889.8M)
The increase was driven by the surge in revenues of VIA, five months contribution of STI and increase in demand across all sites.

29% increase in Cost of goods sold ($610.5M to $789.0M)
Driven by the 29% increase in revenues.

65% increase in Operating expenses ($43.6M to $71.9M)
The increase was attributable to the newly-acquired subsidiary VIA and STI, transaction costs related to STI acquisition, relocation costs related to the transfer to the Pingshan manufacturing facility and increase in headcount and people costs to support new programs.

55% decrease in Other non-operating expenses (-$4.9M to -$2.2M)
Beneficial FX position (+$3.6 million) driven by appreciation of USD against PHP and Euro (on liability position) and appreciation of RMB on net asset position and othe non-operating income offset the significant increase in interest expense (-$3.3M) related to loans to support acquisition and expansions.

3,680% increase in Non-controlling interest (-$0.005M to $0.18M)
Share of minority in the net income of VIA (23.99%) and STI (20%).

Balance Sheet items
(31 October 2017 versus 31 December 2016, as restated)

22% decrease in Cash and cash equivalents ($86.5M to $67.6M)
Cash used by operating activities -$6.2M from increase in working capital; cash used in investing -$79.5M from increased capital expenditure to support line expansion and new programs; cash provided by financing $62.1M mainly due to availment of loans related to acquisition and expansion programs.

31% increase in Loans and receivables ($198.2M to $259.8M)
Increase mainly due to higher sales compared to Q42016 and consolidation of STI's management accounts.

71% increase in Inventories ($106.1M to $181.3M)
Increase attributable to growth of turnkey businesses particularly in Europe and Mexico. China building up inventories for the next quarter's demand, and consolidation of STI's management accounts.

68% increase in Other current assets ($16.1M to $27.0M)
Increase is attributable to increase in tax credits in Europe and Mexico and consolidation of STI's management accounts.

33% increase in Property, plant and equipment ($117.4M to $155.8M)
Significant increase in capital expenditures driven by ongoing big projects in China, Mexico, and Philippines, additional SMT lines in Europe and ongoing construction of the Serbia facility.

56% increase in Goodwill ($91.4M to $142.9M)
Goodwill recognized for the acquisition of STI amounting to $51.4 million.

20% increase in Intangible assets ($18.3M to $21.9M)
Increase mainly from capitalized costs arising from the development phase of certain projects under qualification (+$4.4M) and additional software costs.

41% increase in Accounts payable and accrued expenses ($195.7M to $275.8M)
Mainly due to the increase in trade payables and accrual for salaries and benefits, taxes, utilities and interest. The following table sets forth the Company's accrued compensation, benefits and expenses as of 31 October 2017 versus the year ended 31 December 2016:

	31 Oct 2017	31 Dec 2016
Compensation and benefits	**$25,266**	$21,555
Taxes	**5,032**	3,787
Professional fees	**1,993**	1,331
Interest payable	**1,664**	769
Light and water	**1,562**	1,141
Supplies	**1,085**	206
Sales return	**237**	382
Sales commission	**196**	131
Subcontracting costs	**68**	157
Others	**12,064**	9,672
	$49,167	$39,131

140% increase in Loans and trust receipts payable ($51.4M to $123.3M)
Availments related to acquisition of STI and loans to fund expansions.

133% increase in Financial liabilities ($11.3M to $26.4M)
Put options and contingent consideration related to STI acquisition.

21% decrease in Current portion of long-term debt ($8.2M to $6.4M)
Settlement of 5-yr Eur5M loan upon maturity in Feb 2017, offset by reclass to current portion of the Cooperatief deferred payment related to EPIQ acquisition.

9% decrease in Deferred tax liabilities ($3.0M to $2.8M)
Deferred tax recognized on the increase in fair value of intellectual properties related to STI acquisition

350% increase in Other noncurrent liabilities ($0.2M to $1.0M)
Noncurrent portion of the contingent consideration related to the acquisition of STI

18% decrease in Additional paid-in capital ($70.9M to $58.1M)
Initial recognition of financial liability on put options debited against APIC.

56% decrease in Cumulative translation losses (-$20.6M to -$9.0M)
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to appreciation of EUR against USD from 1.04 to 1.16.

FINANCIAL RATIOS
For the Period Ended October 31, 2017 and 2016 and December 31, 2016 (As Restated)

Ratios	Formula	Oct 31, 2017	Oct 31, 2016	Dec 31, 2016
(i) Current ratio	Current assets / Current Liabilities	**1.23**		1.51
(ii) Quick ratio	Current assets less inventories and other current assets / Current liabilities	**0.75**		1.05
(ooo) Debt/Equity ratio	Bank debts/ Equity attributable to parent	**1.05**		0.74
(iv) Asset to Equity ratio	Total Assets / Equity attributable to parent	**3.44**		2.70
(v) Interest rate coverage ratio	Earnings before interest and taxes / interest expense	**5.30**	11.88	
(vi) Profitability ratios				
GP margin	Gross Profit / Revenues	**11.3%**	11.50%	
Net profit margin	Net Income after Tax / Revenues	**2.3%**	3.70%	
EBITDA margin	EBITDA / Revenues	**6.2%**	8.10%	
Return on assets	Net Income after Tax / Total Asset	**2.4%**	3.90%	
Return on equity	Net Income after Tax / Average equity attributable to parent	**8.5%**	10.70%	
Return on common equity	Net Income after Tax / Average common equity attributable to parent	**8.5%**	10.70%	

	(in US$'000)		
	Oct 31, 2017	**Oct 31, 2016**	**Dec 31, 2016**
Current Assets	535,676		406,975
Current Liabilities	436,464		270,091
Total Assets	860,128	654,241	639,128
Bank Debts	261,410		174,187
Equity attributable to parent	250,054		236,606
Average equity attributable to parent	243,330	239,980	234,425
Average common equity attributable to parent	243,330	239,980	234,425
Revenues	889,840	690,093	
Gross Profit	100,821	79,635	
Net income attributable to equity holders of the parent	20,762	25,769	
Earnings before interest and taxes	32,673	33,789	
Interest expense	6,164	2,843	
EBITDA	55,246	55,766	

For the Years Ended 31 December 2016 vs 2015

Revenues, gross profit, net income, and the related computed EBITDA and basic earnings per share, for the years ended 2016, 2015 and 2014 are shown on the following table:

	For the years ended December 31		
	2016	**2015**	**2014**
	(in US$ thousands, except Basic EPS)		
Revenues from sales and services	842,966	814,364	844,474
Cost of goods sold and service	(741,657)	(720,333)	(750,541)
Gross profit	101,309	94,031	93,933
Net income attributable to equity holders of the Parent Company	28,116	28,790	29,117
EBITDA[8]	64,967	58,763	52,717
Basic Earnings per Share (EPS)	0.015	0.015	0.017

2016 vs. 2015

Revenues from Sales and Services

The Company wrapped up 2016 with consolidated revenues of $843M (₱40.0 billion), an increase of 4% year-over-year. Excluding acquisition, revenues went up by 1% driven by Europe and Mexico operations reporting combined revenues of $308.0 million or 15% growth from last year.

The Company's operations in Asia delivered lower growth as a result of China's slower economic activity and IMI's strategic decision to disengage from one consumer electronics business. In addition, its Philippine operations also drew away from the declining segment in computing peripherals, driving lower growth. China operations posted $261.4 million, down 6% from last year. Philippines's electronics services operations delivered $220.7 million, 2% lower than last year, while PSi Technologies, IMI's semiconductor assembly and test subsidiary, posted $33.0 million in revenues, down 2% year-on-year.

Our focus market segments, automotive and industrial, represented 63 percent of the global sales for the year with a combined growth of 12%.

Europe remains to be the dominant market of the Company's products, comprising 54% of global sales, followed by America at 24%.

Cost of Goods Sold and Services

Cost of sales higher by 3% relative to revenue growth.

Gross Profit and Gross Profit Margin

The Company's operations generated gross profit of US$101.3 million, an increase of 8% from last year with corresponding improvement in gross profit margin by 0.5% to 12%.

Net Income

The Company accomplished a positive growth in operating income by 13%. Net income attributable to the owners of $28.1 million (₱1.3 billion) was slightly lower by 2% year-on-year owing to transaction and financing costs related to acquisitions and foreign exchange impact of the Renminbi.

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[8] *EBITDA = EBITDA represents net operating income after adding depreciation and amortization 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.*

EBITDA
EBITDA higher by US$6.2 million or 11% evident at operating income level with growth of 13% from last year.

Financial Condition
The Company remains to have a strong cash position with current ratio of 1.51:1 and debt-to-equity ratio of 0.74:1.

Capital Expenditure
In 2016, the Company spent $52.2 million on capital expenditures as it continues to expand its footprint in higher complex box build offerings, while making disciplined investments to fund its growth initiatives. For 2017, the Company expects to spend US$51.5 million for capital expenditures to build more complex and higher value-add manufacturing capabilities and growth platforms.

Key Performance Indicators of the Company

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

	As of the Years Ended		
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2014**
Performance indicators			
Liquidity:			
Current ratio[a]	1.51	1.54	1.73
Solvency:			
Debt-to-equity ratio[b]	0.74	0.48	0.41

	For the Years Ended December 31		
	2016	**2015**	**2014**
Operating efficiency:			
Revenue growth[c]	4%	(4%)	13%
Profitability:			
Return on equity[d]	12%	12%	13%
Return on common equity[e]	12%	13%	15%
Return on assets[f]	4%	6%	5%
EBITDA margin[9]	8%	7%	6%

[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] *Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent*
[e] *Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent*
[f] *Net income attributable to equity holders of the Parent Company/Total Assets*

In the above:

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

(viii) 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.

[9] *EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization 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.*

(ix) 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.

(x) 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.

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

(xii) 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
(Year ended 31 December 2016 versus 31 December 2015)

149% increase in Non-operating expenses (-$3.3M to -$8.1M)
Mainly due to increase in interest expense related to various bank loans to fund acquisitions and expansions and increase in nonrecurring engineering expenses

15% increase in Provision for income tax ($5.9M to $6.8M)
Increase in current tax due to higher tax base particularly in the Company's Europe operations

Balance Sheet items
(As of 31 December 2016 versus 31 December 2015)

15% decrease in Cash and cash equivalents ($101.5M to $86.5M)
Owing to increased capital expenditures and funding of acquisition through dividends from IMI BG

17% increase in Loans and receivables - net ($169.3M to $198.2M)
Revenue driven and integration of accounts of the newly-acquired VIA Optronics

20% increase in Inventories - net ($88.3M to $106.1M)
Increase of turnkey businesses and integration of accounts of the newly-acquired VIA

47% increase in Other current assets ($10.9M to $16.1M)
Increase in advances to suppliers

26% increase in Property, plant and equipment ($93.1M to $117.4M)
Increase in capital expenditures mainly for China and Mexico entities

664% increase in Intangible assets ($2.4M to $18.3M)
Capitalized costs arising from the development phase of certain projects under qualification

28% increase in Accounts payable and accrued expenses ($152.8M to $195.7M)
Mainly due to increase in trade and nontrade payables, advances from related parties representing deposits received related to a sale and purchase agreement and financial liabilities pertaining to commercial agreements of VIA with certain customers.

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

	2016	2015
Compensation and benefits	**21,554,903**	$23,263,280
Taxes	**3,786,543**	3,981,289
Professional fees	**1,330,888**	1,321,161
Light and water	**1,141,476**	1,232,481
Sales return	**382,021**	636,024
Subcontracting costs	**157,262**	339,918

Sales commission	**130,622**	144,034
Supplies	**206,307**	1,072,819
Interest payable	**769,072**	509,027
Others	**9,672,009**	7,006,563
	$39,131,103	$39,506,596

22% increase in Trust receipts and loans payable ($42.3M to $51.4M)
Existing loan of VIA Optronics ($7.9M) and additional loan of IMI Czech ($1.1M)

100% increase in Financial liabilities on put options ($0 to $11.3M)
Put options recognized in the acquisition of VIA measured at the fair value of the redemption amount

81% decrease in Current Portion of Long-term debt ($43M to $8.2M)
Refinancing of $40M loan of IMI Philippines to long-term

250% increase in Long-term debt ($34.6M to $121.1M)
Additional loan obtained to fund the acquisition of VIA ($40M) and refinancing of existing $40M loan to long-term

29% decrease in Pension liability ($5.8M to $4.1M)
Due to curtailment

14% decrease in Additional paid-in capital ($82.5M to $70.9M)
Put option related to VIA debited against equity

25% decrease in Cumulative translation adjustments (-$16.5M to -$20.6M)
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company’s functional currency.

2015 vs. 2014

Revenues from Sales and Services
The Company's consolidated revenues of $814.4 million went down by 4% year over year due mainly to a weak euro and the downturn in the computing and telecommunications segments. Excluding the impact of changes in currency exchange, automotive revenues climbed by 21% during the year and total revenues by 2%.

The revenue headwinds were offset by IMI's strong volume growth in the automotive segment. In particular, its advanced driver assistance systems or ADAS programs (such as automotive camera programs) posted a 66% increase in revenues in 2015.

IMI's China operations recorded $279.3 million in revenues in 2015, a 14% decline from the previous year as the 4G telecommunications network rollout in China reaches its projected volume and the consumer electronics segment experiences a slowdown.

IMI's Europe and Mexico operations recorded combined revenues of $267.4 million, flat from last year. The persistent weakness in the euro resulted in a 3% revenue decline for IMI's Bulgaria and Czech Republic factories. In Mexico, IMI revenues increased by 9% due to higher demand for plastic injection and assembly. Overall revenues for IMI's Europe and Mexico plants would have increased by 15% if not for the weak euro.

IMI's electronics manufacturing services operations in the Philippines posted $225.3 million in revenues, a 10% growth from $204.9 million in 2014 due to a strong demand for automotive cameras and security and access control devices.

PSi Technologies Inc., posted $42.3 million in revenues, down 5.8% year-over-year due to low volume hit rate of certain models.

The Company continues to make advances on initiatives started some five years ago such as focus on high-margin segments, full integration of acquisitions, rationalization of costs, expansion of global footprint, and development of human capital and equipment. The company's automotive electronics business now accounts for 43% of IMI's total revenues and grew 9% year-on-year. The telecom industry is still second to the top contributors accounting for 19% of the total business, although slowdown was anticipated due to normalization of 4G rollout. Industrial segment continues to grow by 10% year-over-year from strong demand in security and access control devices.

Europe remains to be the dominant market of the company's products, comprising 52% of global sales, followed by America at 25%.

Cost of Goods Sold and Services
Cost of sales lower by 4% mainly from cessation of labor-intensive consignment businesses which is one of the reasons for the revenue drop.

Gross Profit and Gross Profit Margin
The Company's operations generated gross profit of US$94.0 million, at par with last year despite challenges in topline figures. Revenue headwinds and weak euro were offset by strong demand in auto and industrial business segment and improved capacity, efficiency and quality in our Mexico facility. GP% improved from 11.1% to 11.5%.

Operating Expenses
The Company's operating expenses decreased by 13% due to reversal of prior year excess accruals, lower accrual for benefits, decrease in inventory provisions, software costs, taxes and licenses, sales commission expenses and travel and transportation.

Net Income
The Company generated US$28.79 million net income, almost flat from $29.1 million in 2014 despite volatility in the foreign currency markets and weakness in China's economy. NIAT% better at 3.5% despite revenue and FX challenges.

EBITDA
EBITDA higher by US$6.0 million or 11% evident at operating income level with growth of 28% from last year, however, offset by foreign exchange impact by US$2.4 million due to RMB devaluation against USD.

Financial Condition
The company's balance sheet at the end of 2015 remains strong. The current ratio and debt-to-equity ratio are at 1.54:1 and 0.48:1, respectively.

Capital Expenditure
For the full year 2015, the Company's capital expenditures amounted to US$35.1 million in line with the company's renewed focus on higher margin market segments. For 2016, the Company expects to spend US$40.8 million for capital expenditures to be partially funded by the remaining balance of the proceeds from the follow-on offering, cash from operations and debt. This will support on-going expansion programs particularly in Mexico, China and the Philippines.

Key Performance Indicators of the Company

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

	As of the Years Ended		
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2013**
Performance indicators			
Liquidity:			
Current ratio[a]	1.54	1.73	1.53
Solvency:			
Debt-to-equity ratio[b]	0.48	0.41	0.48

	For the Years Ended December 31		
	2015	**2014**	**2013**
Operating efficiency:			
Revenue growth[c]	(4%)	13%	13%
Profitability:			
Return on equity[d]	12%	13%	5%
Return on common equity[e]	13%	15%	6%
Return on assets[f]	6%	5%	2%
EBITDA margin[10]	7%	6%	5%

[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] *Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent*
[e] *Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent*
[f] *Net income attributable to equity holders of the Parent Company/Total Assets*

[10] *EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization 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.*

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
(Year ended 31 December 2015 versus 31 December 2014)

13% decrease in Operating expenses ($64.2M to $56.1M)
The Company's operating expenses decreased by 13% due to reversal of prior year excess accruals, lower accrual for benefits, decrease in inventory provisions, software costs, taxes and licenses, sales commission expenses and travel and transportation.

159% decrease in Non-operating items ($5.5M to -$3.3M)
Recognition of gain on sale of property in SG ($14M) and gain on insurance claims ($0.3M), net of PSi goodwill impairment (-$7.5M), forex loss of $2.4M in 2015 due to RMB devaluation and lower rental income related to sale of property (↓0.8M).

5% decrease in Provision for income tax ($6.2M to $5.9M)
Decrease in current tax due to lower income tax base resulting from decreased revenues.

Balance Sheet items
(As of 31 December 2015 versus 31 December 2014)

14% decrease in Cash and cash equivalents ($117.6M to $101.5M)
Cash provided by operating activities +$49.8M from positive results of operations; cash used in investing -$35.3M mainly capital expenditures related to ongoing expansion programs; cash used in financing redemption of preferred shares - $28.4M, dividend payment -$8.6M and settlement of finance leases -$2.3M.

13% decrease in Loans and receivables - net ($195.1M to $169.3M)
Mainly due to China and Europe's revenue drop.

8% decrease in Other current assets ($11.9M to 10.9M)
From collection of tax credits offset by increase in advances to suppliers

14% increase in Property, plant and equipment ($81.7M to $93.1M)
Attributable to higher capital expenditures over depreciation.

40% decrease in Intangible assets ($4.0M to $2.4M)
Due to amortization of customer relationship recognized upon acquisition of Europe and Mexico subsidiaries (5-year amortization)

12% increase in Available-for-sale financial assets ($522K to $584K)
Increase in fair value of club shares

12% decrease in Deferred income tax assets ($1.7M to $1.5M)
Decrease in deferred tax assets on loss carry overs.

16% decrease in Accounts payable and accrued expenses ($182.1M to $152.8M)
Mainly due to the decrease in trade payables of China and Europe and accrued expenses.

The following table sets forth the Company's accrued compensation, benefits and expenses as of 31 December 2015 versus the year ended 31 December 2014:

	2015	2014
Compensation and benefits	**$23,263,280**	$24,691,621
Taxes	**3,981,289**	5,005,217
Professional fees	**1,321,161**	2,311,496
Light and water	**1,232,481**	1,340,435
Sales return	**636,024**	1,233,490
Subcontracting costs	**339,918**	2,204,049
Sales commission	**144,034**	696,410
Supplies	**1,072,819**	2,612,679
Interest payable	**509,027**	449,305
Others	**7,006,563**	9,818,643
	$39,506,596	$50,363,345

19% decrease in Trust receipts and loans payable ($52.1M to $42.3M)
Net payment of short-term loans of IMI Philippines ($4M) and STEL ($5.5M)

31% decrease in Income tax payable ($3.7M to $2.5M)
Lower tax liability due to lower tax base.

1433% increase in Current Portion of Long-term debt ($2.8M to $43M)
Reclass of the $40M long term loan due in 2016

40% decrease in Long-term debt ($57.3M to $34.6M)
Increase was mainly due to reclass of $40M debt to current and third installment payment of Cooperatief to EPIQ NV of EUR 2M related to the European acquisition, offset by additional $20M loan obtained by IMI Philippines.

22% decrease in Advances from customers ($1.4M to $1.1M)
Amortization of cash advances from a customer of PSi related to subcontracting service agreement.

23% increase in Pension liability ($4.7M to $5.8M)
Increase in current service cost and actuarial changes due to experience adjustments.

100% decrease in Obligations under finance lease ($2.3M to nil)
Decrease was mainly due to full settlement of IMI BG's finance lease.

100% decrease in Capital stock - preferred ($26.6M to nil)
Redemption of 1.3 billion preferred shares.

100% decrease in Retained earnings appropriated for expansion ($20.7M to nil)
Decrease was due to the reversal of appropriation for business expansion.

36% increase in Retained earnings unappropriated ($109.5M to $149.4)
Net income attributable to the owners of the Parent +$28.8M, reversal of appropriation (+$20.7M), dividends (-$7.9M); redemption of preferred shares (-$1.9M)

54% decrease in Cumulative translation adjustments (-$10.7M to -$16.5M)
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 of USD against

Europe subsidiaries' local currencies (BGN and CZK) with regard to its net assets. Local currencies are pegged against EUR which declined by 10%.

13% increase in Other comprehensive loss (-$5.6M to -$6.3M)
Actuarial changes due to experience adjustments.

Debt Obligations and Facilities
The Company has short and long-term obligations as follow:

Trust Receipts and Loans Payable

	31 October 2017 (Unaudited)	**30 September 2017 (Unaudited)**	**31 December 2016 (Audited)**
Parent Company	89,000	90,000	25,000
Psi	213	214	9,449
STEL	16,000	16,000	8,000
VIA	11,233	11,233	7,903
STI	5,287	9,855	--
IMI CZ	1,528	1,156	1,092
	123,261	**128,458**	**51,455**

In US$ thousands

Parent Company
As of 31 October 2017 and 31 December 2016, the Parent Company has short-term loans aggregating $89.00 million and $25.00 million respectively, with maturities ranging from 30 to 180 days, and fixed annual interest rates ranging from 1.67% to 2.20% in 2017 and 1.23% to 1.24% in 2016.

STEL
The loans of STEL are clean loans from existing revolving credit facilities with a Singaporean bank and bear annual interest rate of 3.45% in 2017, and 2.24% in 2016, and have maturities of 30 to 60 days from the date of issue, with renewal options.

VIA
The loans of VIA consists of factoring loan from China-based banks denominated in USD and RMB amounting to a total of $8.74 and $5.81 million as of 31 October 2017 and 31 December 2016, respectively, with terms ranging from 140 to 180 days, and bears interest ranging from 3.01% to 3.33% and loan from a German-based bank amounting to €2.1 million ($2.49 million) and €2.0 million ($2.09 million) as of 31 October 2017 and 31 December 2016, respectively, with term of 90 days with renewable options and bears interest rate of 1.95% per annum.

STI
In 2017, the loans of STI consists of short-term loan from UK bank denominated in GBP amounting to £0.5 million ($0.66 million) with a term of 90 days, and bears interest rate of 3.10% per annum and loan from local banks amounting to $4.63 million with terms ranging from 140 to 210 days and bears interest rate ranging from 3.09% to 4.7% per annum.

IMI CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Unicredit Czech and Citibank and bear interest based on 1-month EURIBOR plus 1.20%.

PSi
PSi has short-term loans from a local bank amounting to $9.20 million as of 31 December 2016, and trust receipts payable amounting to $0.21 million and $0.25 million as of 31 October 2017 and 31 December 2016, respectively. The loan was settled in the first half of 2017.

Long-Term Obligations

	31 October 2017 (Unaudited)	30 September 2017 (Unaudited)	31 December 2016 (audited)
Parent Company	$134,500	$125,000	$120,222
Cooperatief	4,940	5,016	6,587
IMI CZ	3,277	3,376	1,818
IMI BG	271	295	418
VIA	100	100	284
	143,088	133,787	129,329
Less current portion:			
Parent Company	–	–	5,222
Cooperatief	4,940	5,016	2,108
IMI CZ	1,170	1,187	529
IMI BG	232	236	209
VIA	100	100	117
	6,442	6,539	8,185
TOTAL	**$136,646**	**$127,248**	**$121,144**

In US$ thousands

Parent Company

On 4 October 2017, the Parent Company obtained a $10.00 million 5-year term loan from a local bank subject to a fixed interest rate of 2.86%.

On 25 September 2017, the Parent Company obtained a $10.00 million 5-year term loan from a local bank subject to a fixed interest rate of 2.96%.

On 10 October 2016, the Parent Company obtained a $40.00 million 5-year term loan from a local bank subject to a fixed interest rate of 2.70%.

On 6 October 2016, the Parent Company obtained a $40.00 million 3-year term loan from a local bank subject to a fixed interest rate of 2.30% per annum.

On 29 September 2016, the Parent Company obtained a $15.00 million 3-year term loan from a local bank subject to a fixed interest rate of 2.42%.

On 12 August 2015, the Parent Company obtained a $20.00 million 5-year term loan from a local bank payable at the end of the loan term 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 2.80%, whichever is higher. Interests are payable quarterly in arrears on each interest payment date.

On 29 February 2012, the Parent Company obtained a €5.00 million ($5.22 million), 5-year term clean loan from a local bank payable in a single balloon payment at the end of the loan term. Interest is payable semi-annually at the rate of 6-month LIBOR plus 1.50% spread per annum. The loan matured and was paid by the Parent Company in February 2017.

The loan agreements on long-term debt of the Parent Company provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of 31 October 2017 and 31 December 2016.

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 an aggregate amount of €10.00 million from 2013 to 2017 with an annual payment of €2.00 million every July of each year.

The balance of €4.25 million ($4.94 million) will be due on 29 July 2018.

IMI CZ
On 1 June 2017, IMI CZ obtained a term loan facility from Citibank amounting to €1.50 million that was used to investment financing. The principal shall be paid in 60 regular monthly installments and bears interest of 3-month EURIBOR plus 0.90% but is not to exceed 15% per annum.

On 14 August 2015, IMI CZ obtained a 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 amounting to €0.59 million that relates to a term loan facility for the purchase of its new SMT machine. The debt bears annual interest of 1-month EURIBOR plus 2.70% and matures on 31 July 2019.

IMI BG
IMI BG has a long-term debt from BNP Paribas amounting to $0.27 million 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 to office and factory equipment with a carrying value of $1.35 million.

VIA
VIA has a long-term debt from Sparkasse Bank amounting to $0.10 million. The debt bears annual interest of 5.35% and matures on 30 June 2019.

Credit Lines
The Group has credit lines with different financing institutions as at 31 October 2017, 31 December 2016 and 31 October 2016, as follows:

31 October 2017

Financial Institutions	**Credit Limit**	**Available Credit Line**
Local:		
US$	58,000,000	29,486,677
₱	400,000,000	400,000,000
Foreign:		
US$	133,011,034	53,144,121
Singapore Dollar (SGD)	34,000,000	34,000,000
EUR	15,630,000	12,769,562

31 October 2016

Financial Institutions	**Credit Limit**	**Available Credit Line**
Local:		
US$	54,000,000	20,800,000
₱	100,000,000	100,000,000
Foreign:		
US$	89,318,841	33,318,841
Singapore Dollar (SGD)	17,000,000	17,000,000
EUR	7,630,000	5,763,906

31 December 2016

Financial Institutions	**Credit Limit**	**Available Credit Line**
Local:		
US$	54,000,000	44,550,000
₱	100,000,000	100,000,000
Foreign:		
US$	89,318,841	56,318,841
Singapore Dollar (SGD)	17,000,000	17,000,000
EUR	9,830,000	6,897,783

31 December 2015

Financial Institutions	Credit Limit	Available Credit Line
Local:		
US$	64,000,000	54,800,000
₱	100,000,000	100,000,000
Foreign:		
US$	76,544,838	43,544,838
Singapore Dollar (SGD)	25,000,000	25,000,000
EUR	9,830,000	7,626,802

LIQUIDITY MANAGEMENT

The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Company also maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. To cover financing requirements, the Company intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

CREDIT AND COLLECTION

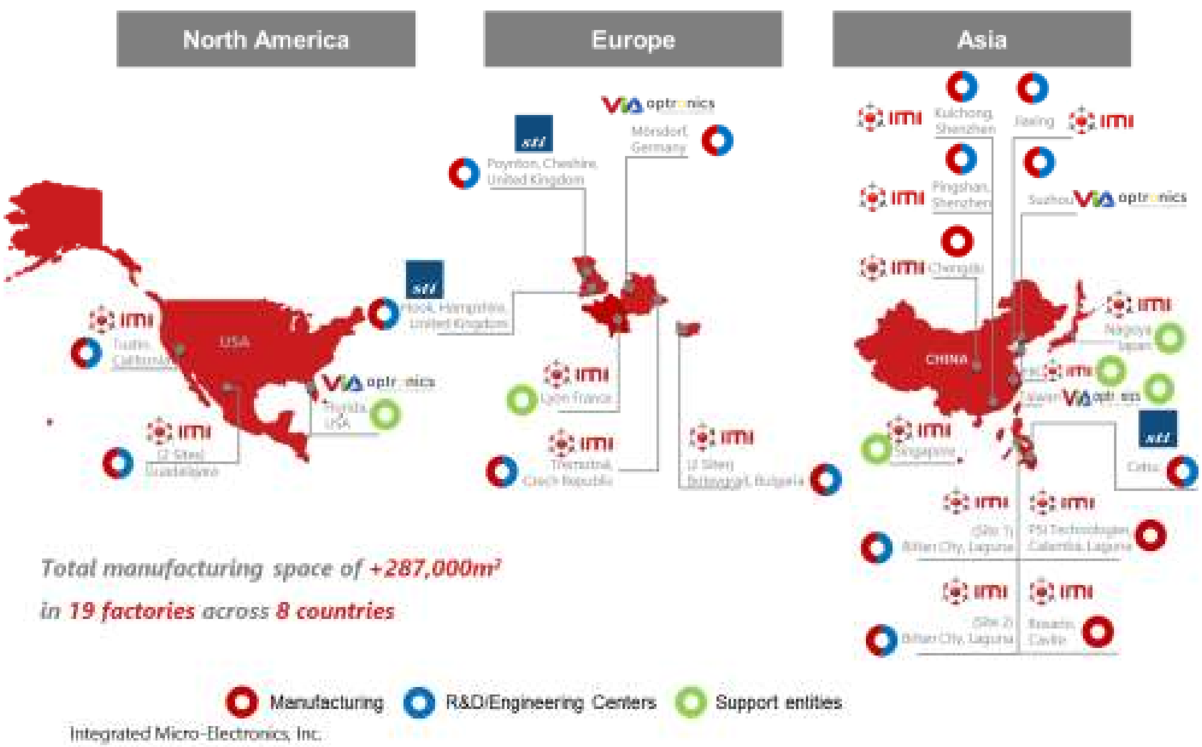
Credit risk management involves dealing with institutions for which credit limits have been established. The Company trades only with recognized creditworthy third parties and has a well-defined credit policy and established credit procedures. The Company extends credit to its customers consistent with sound credit practices and industry standards. The Company deals only with reputable, competent and reliable customers who pass its credit evaluation and 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 Company's exposure to bad debts is not significant.

DESCRIPTION OF THE BUSINESS

The Company is one of the leading global providers and widely recognized experts of electronics manufacturing services ("EMS") and power semiconductor assembly and test services ("SATS") The Company serves original equipment manufacturers ("OEMs") and Tier 1 customers in diversified markets, including those in the automotive, telecommunications infrastructure, industrial, medical, and consumer electronics industries. The company's most recent 2017 acquisition marks its entry in the aerospace, security and defense sectors. The key services the Company provides are product design and engineering solutions, test and systems development, automation, advanced engineering solutions, advance manufacturing engineering, new product introduction, manufacturing solutions, reliability test, failure analysis, equipment calibration capabilities and power module assembly, among others. As of 31 December 2016, the Company had revenues, EBITDA, and net income attributable to equity holders of the Parent Company of US$843.0 million, US$65.0 million, and US$28.1 million, respectively

The Company has been able to capture a sizeable portion of the EMS market. The Company ranks 20th in the latest list of top 50 EMS providers in the world of Manufacturing Market Insider, a US-based EMS industry trade publication, determined based on 2016 EMS industry players. In the automotive segment which is the Company's key growth area, the Company ranked 6th in the latest list of top 10 EMS providers in the automotive market as of the July 2017 report of New Venture Research Corp., determined based on 2016 EMS-related revenues of various EMS providers.

As of 31 October 2017, the Company has 19 manufacturing sites with a total manufacturing space of approximately 287,376 square meters in 8 countries with a workforce of over 16,000 employees worldwide. The Company's manufacturing plants are strategically located to reach customers in China, Japan, other parts of Asia, North America and Europe. The diagram below shows the location of the Company's various facilities worldwide:



The Company's global presence allows it to provide solutions to OEMs catering to regional and international markets. Given the Company's presence worldwide, it is able to provide its customers access to a number of services and resources through its manufacturing facilities, engineering and design centers, and sales networks in Asia (China, Singapore, Japan, and the Philippines), North America (U.S. and Mexico), and Europe (Bulgaria, Czech Republic, France, Germany, and UK).

The Company also has capabilities to offer customers low-volume/high-mix and high-volume/low mix manufacturing. These flexible capabilities of the Company allow the Company to address its customers' varying demands at various stages of product development and production. Through its facilities across continents, the Company is able to lend its expertise in design and engineering, advanced manufacturing engineering, new product introduction, and design for manufacturability and simultaneous engineering to its customers, making it an effective strategic partner for its customers in creating and introducing innovative products to the market.

The Company, has four subsidiaries, namely: IMI International (Singapore) Pte. Ltd. ("IMI Singapore"), IMI USA, Inc. ("IMI USA"), IMI Japan, Inc. ("IMI Japan"), and PSi Technologies Inc. ("PSi").

On 21 January 2010, the Company was listed by way of introduction in the PSE. Subsequently, it has completed its follow-on offering and listing of 215,000,000 common shares on 5 December 2014. IMI is registered with the Philippine Economic Zone Authority ("PEZA") as an exporter of printed circuit board assembly ("PCBA"), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems. It also provides the following solutions: product design and development, test and systems development, automation, advance manufacturing engineering, and power module assembly, among others. It serves diversified markets that include those in the automotive, industrial, medical, storage device, and consumer electronics industries. The Parent Company is registered with PEZA and is entitled to certain incentives, which include income tax holidays ("ITH"). As of 31 October 2017, there are two remaining project activities with ITH entitlement. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment. Upon expiration of the ITH, the Parent Company will be subject to a 5% tax on gross income earned after certain allowable deductions provided under Republic Act (R.A.) No. 7916 (otherwise known as the "Special Economic Zone Act of 1995"), in lieu of payment of national and local taxes. Income from other income-producing activities that are not registered with PEZA is subject to regular corporate income tax (RCIT) rate of 30%.

COMPETITIVE STRENGTHS

1. ***Strong position in the EMS industry***

Through strong customer focus and collaboration efforts, the Company has created a trusted brand in the EMS field. This has resulted in the Company to consistently rank among the top EMS providers in the world, with its current ranking being 20th per the latest top 50 list of *Manufacturing Market Insider* based on 2016 EMS-related revenues.

The Company has broadened its footprint from having only Philippines-based manufacturing sites in 2004, to having multiple sites spread out in the Philippines, China, Mexico, the USA, Bulgaria, Czech Republic, Germany and the UK. These sites provide solutions to OEMs catering for both regional and international markets. The variety of IMI's locations has generated diversity in markets, capabilities, and technologies to service the needs of a wider client base.

The Company, not being complacent with its position in the industry, continues to create new services and improve existing capabilities and technologies. It strives for customer loyalty by creating relationships and obtaining management with in-depth knowledge and understanding of the needs, preferences, and constraints of each of its customers.

2. ***Proven superior technical expertise, competence, and resources to continue to deliver quality solutions and products to customers***

With more than 35 years of experience in the industry, the Company is today a widely recognized expert in providing comprehensive manufacturing services and higher value solutions to its customers. The Company believes that its extensive industry experience in full service manufacturing has equipped it and its management with in-depth knowledge and understanding of the needs, preferences and constraints of its customers.

Relatively low DPPM rate for Automotive segment demonstrates superior quality processes and products

Focused in delivering superior manufacturing services to its customers, the Company's expertise and commitment to quality in terms of product, process, and methods are proven. For instance, in the automotive industry, where a single digit defective parts per million (DPPM) rate is required, IMI has consistently met or exceeded rigorous standards for automotive manufacturing. The Company's ability to control the quality of its products and production process as a result of careful planning, design, and execution, enables it to translate this to reduced process cycle time or costly variations, and higher customer satisfaction and increased profits.

High quality, high reliability production process and facilities

The Company attributes its ability to deliver and exceed quality expectations from its customers to its quality manufacturing process, which is characterized by strict process control, robust engineering systems and concentration to quality assurance. The Company provides appropriate controls to ensure that quality is maintained and continuously improved through its Corporate Quality and Reliability Division which is tasked to thoroughly examine and test the product and production processes prior to the commencement of and during production, and not only at the end of the production process, to effectively prevent or, where necessary, uncover defects even before the product is manufactured or packaged for delivery and ensures that time and resources are not wasted in the creation of defective products.

All the facilities of the Company are ISO9001:2000 certified in accordance with international quality standards. It also complies with ISO/TS 16949 quality management system for automotive products, and ISO 13485 quality management system for medical products. The Company also has an ISO 17025-accredited Quality Technical Support (QTS) laboratory capable of detecting RoHS hazardous substances (such as lead). Since the start of its operations, the Company has received several awards, including the country's first ISO 9000 certificate from the Bureau of Product Standards for its world-class quality system in 1992, the Operations Management Award from the World Executive Digest for being a world-class manufacturing company using state-of-the-art technology to produce integrated circuits of the highest quality in 1991, the Golden Shell Award for Manufacturing Excellence from the Department of Trade and Industry for its outstanding quality of its manufacturing operations in 1996, the ISO 14001 Environmental Management System certification in 2000, the Philippine Quality Award (PQA) for Mastery in Quality Management, the highest distinction given to a company in the Philippines for quality system excellence, in 2001, the Circuits Assembly's Service Excellence Awards, specifically for Manufacturing Quality and Dependability/Timely Delivery for medium-sized electronic manufacturing services company category in 2006, the Circuits Assembly's Service Excellence Award for Highest Overall Customer Ranking for medium-sized electronic manufacturing services company category in 2007, and a Gold Award in the Institute of Corporate Directors (ICD) Top Corporations in Corporate Governance. Further, IMI has been recognized as preferred supplier of many OEMs, including Robert Bosch GmbH (Bosch), a leading OEM parts supplier in the automotive market. IMI has maintained its preferred supplier status with Bosch due to IMI's superior competence and performance for five consecutive years since 2010.

In 2016, IMI Philippines received the Preferred Supplier status from a major Tier 1 automotive customer for the seventh consecutive year. The same site also won the first automotive power module program for safety application in power steering and has been nominated by a customer as their preferred module partner with four new programs in the pipeline. Recently, IMI Philippines has been assessed and certified as meeting the requirements of ISO 9001:2015 for the following activities: Assembly of Printed Circuit Board, Felx, Modules, Vehicles, Box Build and Electronic Products; Contract Design and test Services for Customized Product Solutions. One of the plants was also recommended to IATF16949:2016 and he first among the automotive clients of SGS in the Philippines to be recommended to IATF.

IMI Chengdu received the ISO/TS certification, a worldwide quality management systems standard for the automotive sector. IMI Kuichong was a recipient of the Huawei 2016 Excellent Quality Award and garnered third place for the Huawei Gemba Kaizen Award, while IMI Jiaxing received the Best Electronic Supplier Award from Bosch-Siemens Hausgerate (BSH) GmbH.

IMI Mexico received an Export Achievement Award last year from the government of Jalisco, Mexico for its significant contribution to the export sector.

IMI Bulgaria was recently recognized as the second Most Profitable Company in the Machines Sector in Bulgaria.

Excellent management and team of expert personnel

The Company's senior management team is composed of long-tenured industry veterans with an average of 20 years of relevant experience in their respective fields. The senior management team is supported by a team of highly experienced general managers capable of leading day-to-day operations and executing business decisions. Most importantly, the Company leverages on its more than 2,000 engineers and technicians and 125 focused design and development engineers to develop solutions for its customers. Customers who come face-to-face with the Company's personnel are assured that they are experts in their respective fields who are able to provide sound recommendations and results.

3. ***Ability to provide customized solutions and comprehensive range of capabilities that allow for better flexibility, options and convenience to the customer***

The Company works directly with its customers to co-develop technologically advanced products, taking into account the customers' respective objectives, priorities, systems, constraints and requirements. It is involved from the earliest lifecycle of the client engagement to define the right solution for the customer. The Company delivers the right people who are trained and guided by the right leadership and enabled by the right technology to make a meaningful impact on the customers' businesses. This product co-development and design for manufacturability capabilities has generated customer loyalty and repeat business.

Partnering with IMI allows a complete and successful product development. This is made possible by IMI's capability to design and develop complete products and subsystems, analyze product design and materials for costs reduction through value engineering, and develop solutions for cost-effective production and fast time-to-market while safeguarding intellectual property. IMI's product development and engineering service offerings include hardware and software design, test and systems development, advanced manufacturing engineering (AME), custom automation, product reliability, failure analysis, calibration and repair services, and EMC pre-certification solutions.

Design & Development (D&D)

To provide greater focus on IMI's automotive camera development, the Camera and Vision Technology (CVT) group was spun off from D&D in 2016. With the advent of driverless cars, the group was created to focus on camera platform development and design services. The CVT group engages in platform development and design services of the automotive cameras. In 2016, IMI's D&D team also shifted its focus on the IoT and has been pursuing industrial opportunities. The CVT group has begun working on two customer programs involving design and manufacturing. Focus is also now being made on the whole vision and sensing systems.

Analytical Testing & Calibration (ATC) Laboratory

Early last year, the lab received ISO 17025 accreditation on all nine scopes, the single most important international standard for calibration and testing laboratories in the world. Accredited laboratories are considered technically competent to produce precise and accurate test and calibration data.

IMI's ATC Laboratory is also the first in the Philippines to be granted accreditation on Reliability Testing and Scanning Electron Microscopy (SEM) inspection on Failure Analysis by the Philippine Accreditation Bureau, an internationally recognized accrediting conformity assessment body.

Advanced Manufacturing Engineering (AME)

As automotive and medical products get smaller, IMI USA continues to provide value to product miniaturization. In 2016, IMI's global AME focused on several industrial microelectromechanical systems-based inertial measurement unit modules, commercial laser display modules, and automotive camera modules, including the IMI minicube camera platform. AME also developed a fully automated assembly line that manufactures a complex electro-mechanical assembly for automotive safety and security electronic control at IMI Jiaxing as well as in IMI Mexico. High-power modules for automotive and industrial applications, from design and development, and NPI to mass production are growing briskly.

AME also collaborates with D&D on a low cost automotive camera using Himax and flip chip technologies, and also works with D&D Europe on the power module – which are used primarily in power management platforms for partial to full vehicle electrification.

Test & Systems Development (TSD)

With the major shift in complexity of test requirements for new and emerging technology products, IMI's TSD group expanded the development and application of fully automated test systems that integrate common backend process requirements—product marking, automated inspection, and unit sorting. The Flexible Automated Standardized Tester Platform (FAST-P) implemented this concept, a collaboration between IMI Czech Republic and TSD Philippines. The result is a compact tester with a high throughput of up to a thousand units per hour. The prototype will undergo full evaluation and roll-out in 2017.

At IMI's Jiaxing factory in China, robotic automation processes are extensively implemented in various tester platforms for automotive products. Similar test platforms share common software and hardware architectures, helping accelerate the development process and ensure high performance.

Systems Integration (SI)

The SI group of IMI Philippines was organized to meet a wide variety of complex "build-to-print" and automation requirements. The group brings modules together, combining complex PCBAs, electronics, and mechanical assemblies with robotics into one system, while ensuring that the subsystems function together as a system. The group also provides project engineering, documentation, installation, testing, and commissioning for build-to-print and contract design manufacturing programs.

Automation

IMI's global Automation group continues to expand in IMI Czech Republic, Mexico, China, and the Philippines, developing fully automated production lines as well as cost-effective automation systems to help drive cost reduction efforts. Last year, IMI's first fully automated final assembly line was installed in IMI Jiaxing, while a faster and improved version of the same assembly line was installed in IMI Mexico. Its competency center in IMI Czech Republic continues to develop robot-based systems and has completed the installation of a fully automated plastic injection molding cell as well as high-speed automated assembly and testing line at IMI Bulgaria. Several customized machines were also developed and installed in IMI Mexico. The company's first Industry 4.0 pilot installation kicked off early this year, and recruitment has begun for a new R&D group focused on low-cost automation initiatives.

4. *Ability to cater to diverse industries and markets with strong exposure to high growth markets such as for the automotive, industrial and medical segments*

The Company's customers come from a diverse range of industries, including automotive, industrial, telecommunications infrastructure, computing and medical. The table below illustrates the breakdown of the Company's revenues by industry:

Industry	As of 31 October		As of 30 September		As of 31 December		
	2017	2016	2017	2016	2016	2015	2014
Automotive	41%	45%	41%	45%	45%	43%	38%
Industrial	17%	18%	16%	18%	18%	14%	13%
Telecom	14%	19%	14%	20%	19%	19%	21%
Consumer	18%	7%	19%	7%	8%	10%	12%
Computer peripherals	1%	1%	1%	1%	1%	3%	6%
Medical	2%	3%	2%	3%	3%	3%	3%
Aerospace/Defense	2%	-	2%	-	-	-	-
Multiple markets/ Others	5%	7%	5%	6%	6%	8%	8%

Since 2014, the Company has achieved its goals of diversifying its revenue base and was able to shift the focus of production to higher margin products such as that for the automotive and industrial segments.

Global automotive electronics market was valued over $206.3 billion in 2016 and will surpass $396 billion by 2024, a CAGR 8.5%. Increasing automotive electronics adoption to deliver safety features including vehicle data recorder systems, emergency call systems and alcohol ignition interlocks are anticipated to fuel the market demand, according to Global Market Insights. Advanced driver assistance system (ADAS) market should reach $59.1 billion by 2021 from $23.8 billion in 2016 at a CAGR of 19.9%, from 2016 to 2021. Deploying ADAS to enhance comfort levels and ensure safety and security on road is a growing trend in the automobile sector. The implementation of ADAS has been considered revolutionary as it provides dynamic features such as parking assistance, adaptive cruise control, lane departure warning, blind spot detection, drowsiness monitoring, tire pressure monitoring and night vision. (Research and Markets) Head-up display (HUD) market is estimated to be $759.6 Million in 2017 and is projected to grow at a CAGR of 28.54% during the forecast period 2020–2025 to reach a market size of $13,022 Million by 2025. The market is driven by factors such as increasing demand for in-vehicle safety features, increase in the number of connected cars, and the progress towards developing semi-autonomous and autonomous vehicles. (Source: Transport Market Research)

Automotive Electronic Control Unit market has been estimated to garner a revenue of $33.66 billion in 2016 and is projected to reach $55.97 billion by 2024, growing at a CAGR of 6.6% from 2017 to 2024. Power steering systems generated the highest revenue in the AECU market. (Source: Esticast Research) Automotive battery management system market to grow at a CAGR of 22.17% during the period 2016-2020. One of the major drivers for this market is increasing demand for H&E vehicles. In addition, the SoC must be kept up to 80%, keeping space for regenerative charging, while simultaneously discharging sufficiently for a power boost. (Source: Research and Markets)

Industrial electronics is expected to reach almost $150 billion by 2021 from $120 billion in 2016 with a CAGR of 4.5% (New Venture Research). Electronic access control (EAC) market was valued at $ 4.7 billion in 2015 and is forecast to expand at a CAGR of 9.3% through 2024, driven by increasing need to achieve enhanced physical and data security at various residential, commercial, industrial and government and defense facilities. (Source: Research and Markets.) Internet of things (IoT) market reached $598.2 Billion in 2015 and the market is expected to reach $24.2 Billion by 2023, a CAGR of 13.2% from 2016-2023 globally. Expansion of e-commerce sector and shifting of industries towards applications and online helping portals for the customers are the major reason behind the growth of this industry. (Source: Research Nester)

Smart electric meter market to grow at a CAGR close to 9% from 2016-2021 reaching to $13.16 billion. Residential end-users are the biggest adopters of smart electric meters, occupying over 82% of the global shares. Rising living standards and urbanization rates are driving its adoption in the segment. (Source: Technavio)

Aerospace/Defense is expected to reach $84.3billion by 2021 from $68.5 billion in 2016 with a CAGR of 4.2% (New Venture Research) Avionics market is projected to grow from $62.2 Billion in 2016 to $92.9 Billion by 2022, at a CAGR of 6.9% from 2016 to 2022. The increasing number of aircraft deliveries, rise in military aircraft spending by emerging economies, growing trend of modernization of airspace, and growth of the general aviation avionics retrofit market are the major factors expected to drive the growth of the avionics market. Remote sensing satellite market to grow at a CAGR of 5.59% during the period 2017-2021. One driver in the market is growing adoption of SATCOM-based systems and equipment. SATCOM links are one of the several kinds of long-distance communications links, which interconnect communications centers located strategically across the world. These links are part of the Defense Satellite Communications System. The superior effectiveness of SATCOM has also contributed to substantial investment from various defense agencies. (Source: Research and Market)

By focusing on the production of components for the automotive, industrial and medical segments where a high level of performance and stringent certification process is required, the Company is able to mitigate risks of competition. New entrants that focus primarily on price likely face significant barriers to entry. Once contracted, the Company is able to maintain a longer relationship with these customers and negotiate for better pricing.

5. Broad reach from a global manufacturing footprint

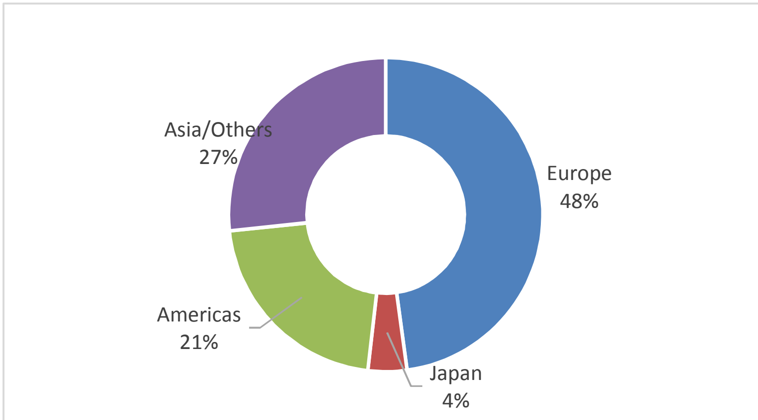
The Company has a global operations and management team operating in and from 19 manufacturing plants and six engineering facilities spread across eight countries around the world. Through these facilities, the Company is able to share manufacturing best practices and engineering and industry experts across its various operations and take advantage of currently strategically low cost manufacturing sites. The Company has upcoming growth strategies and embraces growth opportunities as it continues to evolve the business and expand its global footprint. The Company is restructuring its geographical capabilities to tap different markets on a global scale.

The Company's global operations also allow it to leverage on a superior supply chain management and manufacturing expertise to meet the needs of large global customers and from various locations. The Company's size, stability, and geographical reach allow it to attract global OEMs that look for stable partners that can service them in different countries. This is evidenced by an increasing number of global contracts that the Company has been able to secure and develop, with multiple sites serving single customers. The Company's global footprint also allows it to take advantage of future growth in the countries and regions where its manufacturing and engineering facilities are located, such as the development of the automotive and telecommunications infrastructure businesses in China and the expected growth from the U.S. recovery which would benefit Mexico.

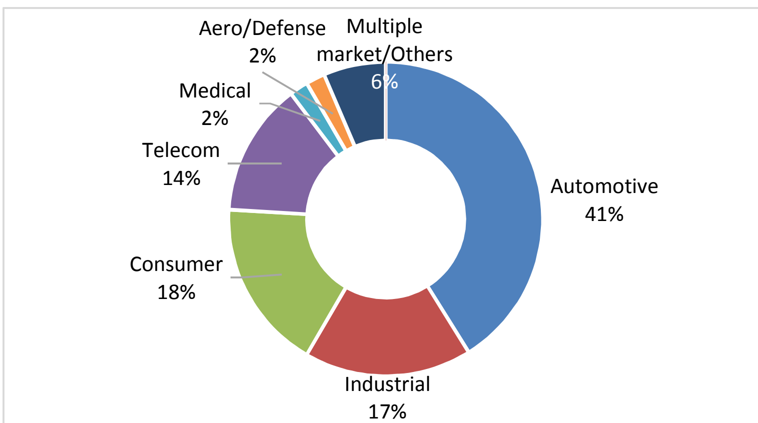
By operating in and from various facilities and offices in Asia, Europe, and North America, the Company is able to take steps to vertically integrate its operations for efficiency and better coordination. The Company has implemented lean manufacturing initiatives across its global facilities and has focused on eliminating waste and decreasing inefficiency through the development of robust processes. The Company has also been focusing on inventory management and better utilization of materials and employs a tracking system to reduce errors and spot variations in the manufacturing process. With lean manufacturing, the Company is able to minimize the volume of inventory that it keeps, decreasing warehousing and storage costs, risk of obsolescence, as well as improving productivity and increasing throughput and value add per person in the manufacturing process. Aside from operating and production efficiencies, vertical integration has allowed the Company to realize cost savings and faster turnaround and delivery times through better control and management of its entire supply chain. Furthermore, with its vertical integration initiative, the Company ensures the quality of its products from initial design to full scale production and after sales support. The Company plans to continue pursuing this vertical integration initiative and aims to enhance its supply chain management capabilities, leading to greater efficiency and reduced operating costs.

Below are graphs illustrating the distribution of revenue by customer nationality and by market segment for the 10 months ended 31 October 2017.

By Customer Nationality:



By Industry:



The revenue breakdown by customer nationality for each of the last three years is shown below:

Revenue Contribution by Customer Nationality (as a % to Total Revenues)							
	For the period ended 31 October		For the period ended 30 September		For the year ended 31 December		
	2017	2016	2017	2016	2016	2015	2014
European	48%	54%	47%	57%	54%	52%	50%
American	21%	25%	22%	19%	24%	25%	25%
Japanese	4%	5%	4%	4%	5%	6%	8%
Rest of Asia/Others	27%	16%	27%	21%	16%	16%	17%

6. Ability to execute and integrate strategic acquisitions in order to expand into new markets

The Company has shown historic success in integrating acquisitions into its global network. For the ten months ended 2017, its acquisitions of VIA and STI contributed $153 million, comprising 17% of the Company's revenue of $890 million. The Company continues to identify opportunities and parlay its flexible expertise into more productive enterprises to enhance margins and maximize the expected growth revenue of the EMS industry.

To further enhance revenues from the automotive segment, the Company has made significant advancements in the automotive optics business, producing high quality and efficient products, which it intends to use as leverage across the broader optics market in the future.

KEY STRATEGIES

To be a leading global electronics solutions provider, the Company shall pursue the following key strategies:

Focus on high-margin, non-traditional industry segments with high quality requirements, customization

To capture a wider market, the Company shall continue to focus more on high-margin, non-traditional industry segments with long product cycles and high value-add engineering and quality requirements particularly in the automotive and industrial segments. These industry segments currently comprise approximately 58% of the Company's total revenues as of 31 October 2017. By targeting industry segments that have high quality requirements such as these, the Company would have a more captured market given the high barriers to entry that these types of industries would typically have, thereby reducing or otherwise eliminating risks of immediate competition from new entrants.

As of the date of this Prospectus, the Company services more than seven industry segments with the automotive segment being the largest in terms of revenue contribution at 41% for the ten-month period ending October 2017.

The Company's plans to focus more on high-margin, non-traditional industry segments includes considering exploring aerospace opportunities where similar to automotive, a high degree of quality and reliability is a key competitive advantage.

Coupled with its thrust to focus on non-traditional industry segments, the Company is positioned to actively pursue customer engagements that require design and development for manufacturability solutions, leveraging on the Company's broad suite of design, engineering, and testing capabilities for standard and complex applications and its highly experienced leadership and team of technical experts. Approximately 16% of IMI's global workforce are engineers and technicians, 125 of whom are focused on design and development (70), advance manufacturing engineering (25), and test and systems applications (30). With this complement, the Company is confident of being able to offer more of its high-value add services and promote new product innovations to be co-developed with its existing and new customers. The Company's vertical integration initiatives likewise support this strategy in order to increase its higher value box (sub-system) build or complete product assembly business, leading to enhanced value creation (i.e. pursue engineered plastics/metals, automated back end, and other adjacent industries) and shift production away from commoditized PCB assemblies.

The Company's shift away from commoditized production and towards higher-value customized assembly is apparent in the increasing contribution of automotive and industrial related assemblies, which, as a group accounted for 58% of revenues in 2017.

Provide global scale for global customers

The Company continues to grow its partnership with a diverse base of stable, blue-chip global OEMs. These partnerships enable more reliable growth and stability of customer base as evidence by an average tenure of 12 years of its key customer base. It pursues these global customers by leveraging on its technical strengths, preferred single-supplier status of some key customers, and global manufacturing presence in Europe, North America, and Asia that allows the Company to serve regional manufacturing needs of these global customers. The Company also intends to continue maintaining its global manufacturing and sales operations in key countries. As these global OEMs expand, the Company expects that they will require a supplier with global presence which the Company is positioned to take advantage of.

Continue to employ lean manufacturing and best practices to boost efficiency and lower costs

The Company shall continue to drive operational excellence by evaluating rationalization of facilities with low profitability and by adopting LEAN manufacturing. This strategy shall allow the Company to reduce costs through tighter inventory management and less overhead costs. Lean manufacturing shall also provide the

Company with flexibility to adjust its operations and production in line with a customer's supply and quality requirements.

Furthermore, the Company shall employ best practices and strengthen the organization and leadership by tapping highly qualified and experienced personnel from the Company's global locations, thereby maximizing its human capital resources. Together with its lean manufacturing, the Company hopes to realize production efficiencies, faster turnaround and delivery times, and lower production costs.

Enhance supply chain management capabilities

IMI's supply chain management solutions are equipped to help partners reduce the risk brought about by a volatile global market. The three-pronged approach include a systematic order management solution, a dynamic supply chain strategy hinged on supplier managed inventory, continuous replenishment and buffer stock programs, and a comprehensive cost management solution that revolves around regular price reviews and negotiations with leading materials strategic supplier-partners, distributors and manufacturers.

The Company will continue to strengthen and enhance its supply chain management capabilities through its global scale of operations which it believes will enable it to achieve greater bargaining power with suppliers and enable it to negotiate for lower costs and better quality of raw materials.

IMI's turnkey capabilities involve major commodities for direct/indirect materials: passive/active/ mechanical/electro-mechanical components, existing vendor base for over 36,000 line items, and Global sourcing in Asia, US, and Europe of over 200 major and strategic suppliers from over 2,000 suppliers listed in our database. IMI is not or is not expected to be dependent upon one supplier for raw materials or other items. IMI also has Vendor Partnership Programs to leverage for the most competitive cost and engaged the supply base on vendor qualification, certification and development.

With regard to inbound and outbound logistics, IMI are partners with the best in the industry. The major lines inbound are Singapore, Japan, Hong Kong, Taiwan, Malaysia, Thailand, Germany, and the U.S. Major lines outbound are U.S., Germany, Malaysia, Hong Kong, Israel, Switzerland, Vietnam, UK, Japan, Singapore, and France.

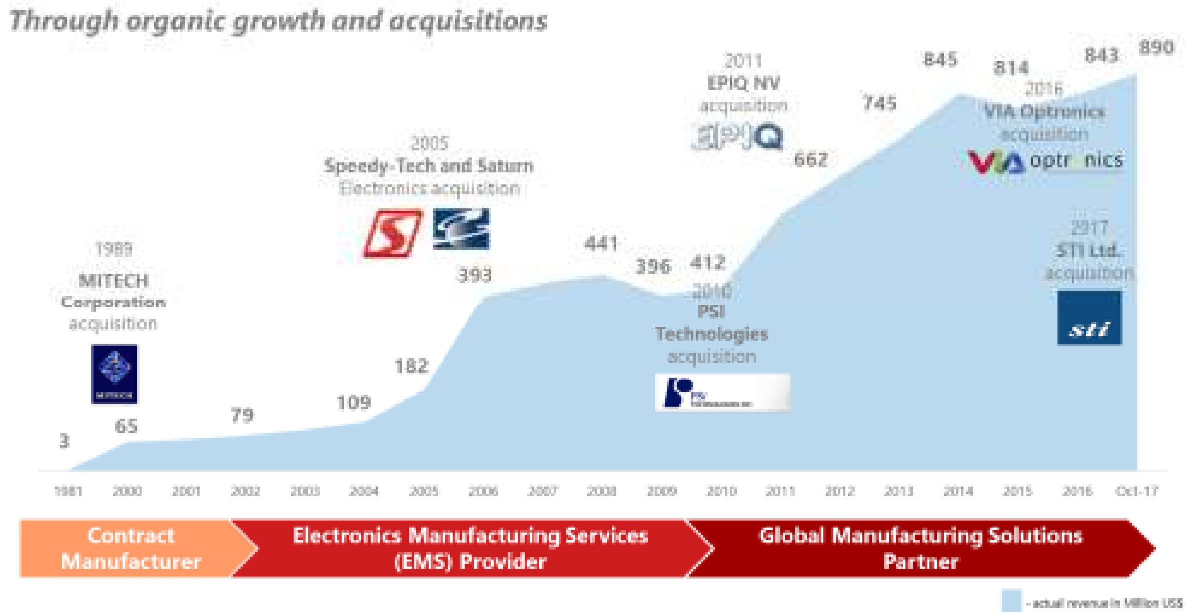
IMI's warehousing capabilities include housing all direct and indirect materials, management of internal as well as third party logistics provider, satellite warehouses in other IMI plants and under the mySAP™ ERP System. Its mission is to offer strategic and competitive Supply Chain Management for complete order fulfilment of its Customers

Strengthen organization to reinforce ability to venture into new growth areas, build lasting customer relationships

The Company will continue to strengthen its organization, whether in its leadership, expert personnel, and general workforce, through the provision of adequate support and rewards systems for career and personnel advancement, the provision appropriate mentoring structures, exposure to new technological trends, and participation in research and development programs. This will enable the Company to promptly act on opportunities presented by customers, as well as those that require it to develop and/or acquire strategic businesses and venture into new growth areas in order to maintain its profitable growth trajectory despite the changing markets. Some of the new growth areas that the Company is considering include laboratory services, automated back-end system integration, component trading, water control and other equipment, mechatronics, micro-electro-mechanical systems, and glass substrates.

Furthermore, the Company believes that its ability to build lasting customer relationships is primordial to its existence. Thus, it continues to encourage and develop a quality-driven and service-oriented culture for its management and employees, focused on delivering customer satisfaction.

HISTORY



The Company was incorporated and registered with the SEC on 8 August 1980 principally to engage in the production and manufacture of any and all types of electronic products and provide services related thereto, with Ayala Corporation (50%), Resins, Inc. (30%), and Mr. Arturo Carlos (20%), as shareholders. To the extent permitted by law, the Company was authorized to, directly or indirectly, through subsidiaries, affiliate organizations, or correspondent enterprises, engage in more specific activities related to the aforementioned principal purpose, such as, but not limited to, the procurement or manufacture of machines and equipment, the appointment of professionals and skilled technicians, and the conduct of studies, tests, and investigations.

Soon after its incorporation, the Company registered its operations with the Board of Investments and, later, with PEZA as an exporter of printed circuit board assembly, flip chip assembly, box build sub-assembly, enclosure system, and provider of electronics product design, research and development, and product development outsourcing and other electronic parts, among others.

The Company started with 100 employees as an electronics manufacturing company engaged in the assembly of integrated circuits. In 1982, it took on contract manufacturing with its hard disk drive sub-assembly operations, and, in 1986, it started the assembly of automotive hybrid integrated circuits. Around this time, Ayala Corporation increased its stake to 80%, with the remaining interest continuing to be held by Resins, Inc. and Mr. Arturo Carlos.

In 1988, the Company ventured into custom printed circuit board assembly operations and, within the next four years, offered standard printed circuit board assembly services with the acquisition of automated surface mounting equipment, and, eventually, full product assembly and flexible printed circuit board assembly operations.

The Company moved its manufacturing base in 1995 from Cupang, Muntinlupa to its present location at the Laguna Technopark.

In 1998, the Company commenced offering hardware and software design services, transitioning itself to a total electronics manufacturing services provider.

The seed of a vision for global expansion was mapped out in 2003. The journey inaugurated with the creation of its first overseas sales office in Germany.

In 2005, the Company acquired the electronics manufacturing services assets of Saturn Electronics and Engineering Inc. of the United States, as well as Speedy-Tech Electronics Ltd. of Singapore. The acquisition of the Singapore company led to the establishment of the Company's presence in China, through facilities in Shenzhen and Jiaxing.

By 2006, the Company became one of the top 50 EMS companies in the world.

On 21 January 2010, the Company was listed by way of introduction in the PSE. On the same year, it established IMI Energy Solutions, its foray into the renewable energy field, and acquired PSi Technologies Inc., a power semiconductor assembly and test service provider.

As part of the Company's globalization efforts to bring its services closer to OEMs in different regions of the world, the Company acquired EPIQ NV subsidiaries in Bulgaria, the Czech Republic, and Mexico in 2011.

In a move to strengthen the Group's partnerships with customers by offering complementary automotive camera and display monitor solutions for advanced driver assistance systems, the Company acquired 76.01% of VIA Optronics in 2016. VIA is a leading provider for optical bonding, a key technology to lower reflections thus enabling sunlight readability and increasing robustness, which is mandatory to allow thinner and lighter portable display solutions. Once combined, the Group together with VIA will have the scale to introduce patented technology into automotive camera monitor systems for increased safety.

In 2017, the Company acquired an 80% stake of STI, an electronics manufacturing services (EMS) company based in the United Kingdom. The acquisition allowed IMI's access to the UK market through two acquired STI factories. Further, the partnership allows the group's entry into the aerospace, security and defense sectors.

Since its operations, the Company received several awards, including the Philippines' first ISO 9000 certificate from the Bureau of Product Standards for its world-class quality system in 1992, the Operations Management Award from the World Executive Digest for being a world-class manufacturing company using state-of-the-art technology to produce integrated circuits of the highest quality in 1991, the Golden Shell Award for Manufacturing Excellence from the Department of Trade and Industry for its outstanding quality of its manufacturing operations in 1996, the ISO 14001 Environmental Management System certification in 2000, the Philippine Quality Award (PQA) for Mastery in Quality Management, the highest distinction given to a company in the Philippines for quality system excellence, in 2001, the Circuits Assembly's Service Excellence Awards, specifically for Manufacturing Quality and Dependability/Timely Delivery for medium-sized electronic manufacturing services company category in 2006, the Circuits Assembly's Service Excellence Award for Highest Overall Customer Ranking for medium-sized electronic manufacturing services company category in 2007, and a Gold Award in the Institute of Corporate Directors (ICD) Top Corporations in Corporate Governance and a Supplier Award in the EMS category from Robert Bosch GmbH (Bosch) in 2011.
The ASEAN Business Advisory Council, established by the Association of Southeast Asian Nations Heads of State to promote public-private sector partnership with a view of achieving regional economic integration, hailed the Company as one of the 12 most admired companies in Southeast Asia. The PQA is the local equivalent of the Malcom Baldrige National Quality Award of the U.S. The Circuits Assembly is a U.S.-based electronics industry trade publication that recognizes companies which received the highest customer service ratings, as judged by their own customers. Bosch, which celebrated its 125th anniversary that same year, honored 60 suppliers from 14 countries.

To date, the Company, with its Subsidiaries, is now one of the leading global electronics manufacturing services providers to key original equipment manufacturers. It has multiple sites spread out in Asia, North America, and Europe, providing solutions to OEMs catering for both regional and international markets. The variety of the Company's locations has generated diversity in markets and operations to service the needs of a wider client base and also to shield the company from unexpected market downturns.

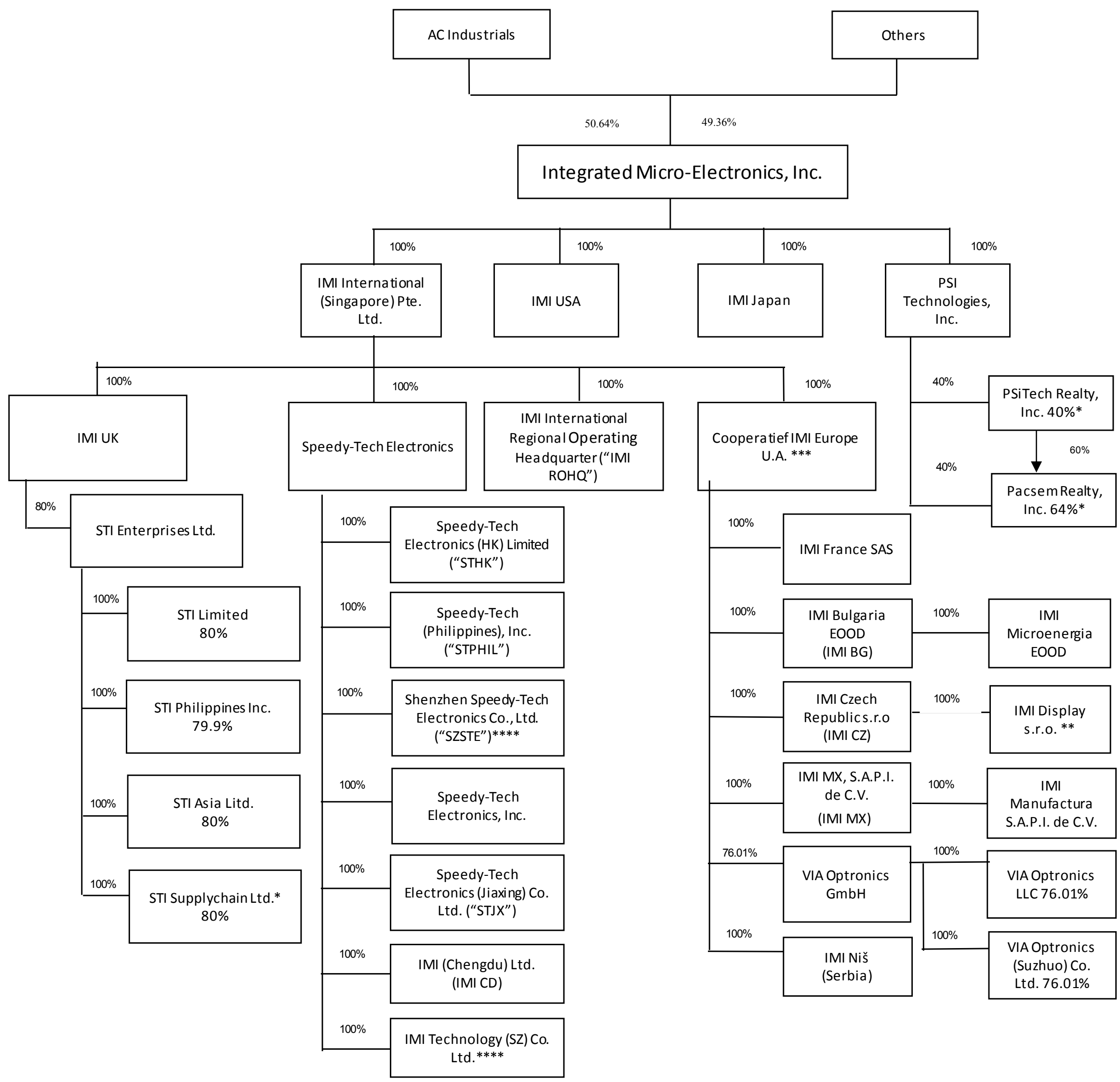
The Company's global operations recorded US$843million in revenues in 2016, up 4% from 2015. It currently ranks 20th on the latest list of top 50 EMS providers in the world of Manufacturing Market Insider, a U.S.-based EMS trade publication. The list is based on 2016 EMS-related revenues of companies engaged in EMS operations.

The Company posted US$890 million in consolidated revenues for the ten months ended 31 October 2017, a 29% increase from US$690 million for the same period in 2016. The corresponding ten months revenue of $890 million already exceeded the revenue of $843 million posted for year-end 2016. See also discussion under “Subsidiaries” beginning on page 108 of this Prospectus.

CORPORATE STRUCTURE

The following chart illustrates the Company's material shareholders and Subsidiaries as of the date of this Prospectus. For a detailed breakdown of the Subsidiaries, see discussion under "Subsidiaries" beginning on page 108 of this Prospectus.

Integrated Micro-Electronics, Inc.
as of October 2017



* In the process of liquidation.

** No active operations.

*** Previously under Monarch Elite Ltd. In June 2017, Monarch agreed to sell its net target assets and transfer its membership rights to IMI Singapore. Monarch is in the process of liquidation.

**** New entity incorporated in Shenzhen which now runs the manufacturing operations of Pingshan and Kuichong. SZSTE being sold to a third party.

LIQUIDITY MANAGEMENT

The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Company also maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. To cover financing requirements, the Company intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

CREDIT AND COLLECTION

Credit risk management involves dealing with institutions for which credit limits have been established. The Company trades only with recognized creditworthy third parties and has a well-defined credit policy and established credit procedures. The Company extends credit to its customers consistent with sound credit practices and industry standards. The Company deals only with reputable, competent and reliable customers who pass its credit evaluation and 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 Company's exposure to bad debts is not significant.

MARKETING AND SALES

The Company's strategic marketing functions are carried out by the Strategic Planning and Marketing Group. This group manages the formulation of the Company's Strategic Plan, engages in market research, provides data and information to program managers for the formulation of business plans, and handles marketing communications and press relations.

Sales functions are carried out by the Sales Division.

SUPPLIERS

The Company's suppliers are situated globally and are managed by the Supply Chain Management Division. The Company's top 10 suppliers in 2017, accounted for 24% of global purchases. Purchases from suppliers generally comprise of raw materials processed by our facilities. The Company strives to manage the quality of the products supplied to ensure strict adherence to quality standards and only purchase from suppliers whose product meet all applicable health and safety standards.

CUSTOMERS

The Company's customers include OEMs in varied industries that include automotive, industrial, medical, computing or storage device, telecommunications infrastructure, and consumer electronics. IMI's global manufacturing operations allow it to provide solutions to OEMs catering for regional and international markets. The following chart shows the Company's revenue contribution by customer nationality.

Revenue Contribution by Customer Nationality (as a % to Total Revenues)							
	For the period ended 31 October		**For the period ended 30 September**		**For the year ended 31 December**		
	2017	**2016**	**2017**	**2016**	**2016**	**2015**	**2014**
European	48%	54%	47%	57%	54%	52%	50%
American	21%	25%	22%	19%	24%	25%	25%
Japanese	4%	5%	4%	4%	5%	6%	8%
Rest of Asia/Others	27%	16%	27%	21%	16%	16%	17%

IMI is a preferred supplier to leading OEMs. For example, it has maintained with Robert Bosch GmbH its preferred supplier status in the EMS category due to IMI's "superior competence and performance". IMI has received this recognition for the 5th consecutive year this year. Bosch is a leading global supplier of technology and devices in the areas of automotive, industrial, and consumer electronics. IMI is a supplier to Bosch for more than a decade in diversified markets, which include automotive, industrial, and consumer electronic products.

COMPETITION

The rapid rise of mobile data and communication platforms has led to significant changes in requirements for connectivity. This has led to an unprecedented surge in demand for electronics and has intensified the competitive landscape for global electronics manufacturing services. Total EMS industry revenues are projected to reach US$427 billion in 2021 from US$329 billion in 2016 with a CAGR of 5.4%.

The Company competes worldwide, with presence in Asia (including China, Japan, and the Philippines), Europe, and North America. The Company focuses on total solution strategy (service, quality, technology, and cost competitiveness) to win and retain its customers.

The Company has been able to capture a sizeable portion of the EMS market. The Company ranks 20th in the latest list of top 50 EMS providers in the world of Manufacturing Market Insider, a US-based EMS industry trade publication, determined based on 2016 EMS industry players. The Company believes it can compete with other companies in its areas of competition due to (a) its strong position in the EMS industry, (b) its proven superior technical expertise, competence, and resources to continue to deliver quality solutions and products to customers, (c) its ability to provide customized solutions and comprehensive range of capabilities that allow for better flexibility, options and convenience to the customer, (d) its ability to cater to diverse industries and markets with strong exposure to high growth markets such as for the automotive, industrial and medical segments, (e) its broad reach from a global manufacturing footprint, and (f) its ability to execute and integrate strategic acquisitions in order to expand into new markets.

In the automotive segment which is the Company's key growth area, the Company ranked 6th in the latest list of top 10 EMS providers in the automotive market as of the July 2017 report of New Venture Research Corp., determined based on 2016 MS-related revenues of various EMS providers.

IMI's Design and Development division focuses its efforts on advancing technologies in safety and convenience-related applications of the automotive industry such as camera electronics, steering wheel control, environmental control, and motor drive modules. These are some of the key drivers of the growth of electronic content in the industry. As the electronic content of automotive industry increases, IMI is well positioned to capture more opportunities with automotive OEMs, applying its wide-ranging expertise from design and product development to test development to manufacturing derived from years of experience in the automotive market.

The division also continues to invest in its core expertise initiated years ago, which covers lighting, power modules, human-machine interface, and short-range wireless and sensing technologies, which have key positioning, temperature, pressure, and photo and video applications.

PROPERTY AND EQUIPMENT

IMI has production facilities in the Philippines (Laguna, Cavite and Cebu), China (Shenzhen, Jiaxing, Chengdu and Suzhou), Bulgaria, Czech Republic, Mexico, Germany and the UK. It also has a prototyping and new production introduction (NPI) facility located in Tustin, California. Engineering and design centers, on the other hand, are located in the Philippines, Singapore, China, United States, Bulgaria, Czech Republic and Germany. IMI also has a global network of sales and logistics offices in Asia, North America and Europe.

The Company's global facilities and capabilities of each location as of 31 October 2017 are shown below:

Location	Floor Area (square meters)	Capabilities
Manufacturing Sites		
Philippines-Laguna (2 sites)	96,182	▪ 31 SMT lines, 2 FC lines ▪ 5 COB/COF lines ▪ Box build to Complex Equipment manufacturing ▪ LVHM, HVLM ▪ Solder Wave, Potting, Al & AG W/B ▪ Protective Coating ▪ ICT, FCT, AOI, RF Testing ▪ Design & Development ▪ Test & System Development ▪ Cleanroom to class 100 ▪ Low Pressure Molding (Overmold) ▪ Precision Metals/Machining
Philippines-Cavite	2,350	▪ 3 SMT lines ▪ Box Build ▪ PTH, Solder Wave ▪ ICT, FCT, AOI ▪ 3D X-ray ▪ LVHM
Philippines-PSi Laguna	9,858	▪ Power Component Discrete Packaging, e.g., 3 - 7L TO-220, 3L TO-247, etc. ▪ Diversified Packaging - from Low to High Power and Small to Large Outline ▪ R&D line
China-Pingshan	29,340	▪ 17 SMT lines, 1 COB line ▪ Box Build ▪ PTH, Solder Wave ▪ POP, Auto Pin Insertion ▪ Potting, Conformal coating and Burn-in ▪ ICT, FCT, AOI, RF Testing ▪ Test & System Development ▪ Design & Development ▪ LVHM, HVLM
China-Kuichong	23,480	▪ 19 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, Solder Wave ▪ ICT, FCT, AOI, RF Testing ▪ Test & System Development ▪ LVHM, HVLM
China-Jiaxing	18,452	▪ 13 SMT lines ▪ PCBA ▪ Box Build ▪ PTH, Auto Pin Insertion, Solder Wave

		▪ Conformal Coating, Potting ▪ ICT, FCT, AOI, RF Testing ▪ Test & System Development ▪ LVHM, HVLM
China-Chengdu	7,500	▪ 7 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, BGA, X-Ray, COB ▪ Solder Wave ▪ Automated Conformal Coating ▪ ICT, FCT, AOI ▪ HVLM / LVHM ▪ Test Development
USA-Tustin, CA*	1,184	▪ 2 SMT prototyping lines ▪ Engineering Development ▪ Prototype Manufacturing Center ▪ Precision Assembly ▪ SMT, COB FCOF ▪ Process Development
Botevgrad, Bulgaria (2 sites)	29,394	▪ 15 SMT lines ▪ Box build ▪ PTH, Auto Pin Insertion, Solder Wave ▪ Protective Coating ▪ ICT, FCT, AOI ▪ Test & System Development ▪ Design & Development ▪ Plastic Injection, Embedded Toolshop, Overmolding
El Salto, Guadalajara, Mexico (2 sites)	24,910	▪ 6 SMT lines ▪ Box build ▪ PTH, Auto Pin Insertion, Solder Wave, Protective Coating, Polymer Coating ▪ ICT, FCT, AOI, ▪ X-ray ▪ Plastic Injection (50-1,600T) ▪ Overmolding ▪ Embedded Toolshop ▪ Automated BE Assembly
Třemošná, Plzeňská, Czech Republic	7,740	▪ 4 SMT lines ▪ PTH ▪ Pin Insertion ▪ Solder Wave ▪ Selective soldering ▪ Ultrasonic Welding ▪ Selective coating ▪ ICT, FCT, AOI ▪ Mechanical Assembly ▪ Automated line
Mörsdorf, Germany (VIA)	12,000	▪ Manual optical bonding lines, including different processes ▪ Semi-automatic optical bonding line, for medium and large size application ▪ Display backlight enhancement and modification ▪ Display and touch film lamination ▪ Film cutting for different application

		▪ Mechanical assembly including electronics and housing ▪ Prototyping ▪ R&D process development ▪ R&D material development ▪ Engineering, prototyping and production process improvement ▪ Test & system development (electrical) ▪ Optical test labor (mainly for display evaluation) ▪ Environmental test labor 3 Cleanrooms, class 1000, partial class 100
Suzhou, China (VIA)	9,750	▪ 4 Cleanrooms, class 1000, partial class 100 ▪ 4 optical bonding lines, including 1 fully auto line , 1 semi-auto line and 2 manual lines. ▪ Semi and full automatic optical bonding capacity to balance volume and flexibility ▪ High volume capacity and capable support from size 1.5" up to 85" ▪ R&D touch product development ▪ R&D display standard product development ▪ R&D bonding process development ▪ Test & system development (electrical) ▪ Prototyping ▪ Display and touch film lamination ▪ Film cutting for different application ▪ Mechanical assembly including electronics and housing ▪ Engineering, prototyping and production process improvement ▪ Optical test lab (mainly for display evaluation) ▪ Environmental test lab
UK-Hook (STI)	5,946	▪ 3 high-speed ASM Siplace SMT Lines (2.4m components/day) ▪ High Reliability PCB Assembly & Box Build ▪ Full Test facilities ▪ Dedicated prototype facility with 2 flexible Mydata lines ▪ Special processes & full repair and rework facility ▪ Clean Room, NPI, RF Screened Room
UK-Poynton (STI)	6,689	▪ Manufacturer of highly secure satellite communications equipment (under long term Airbus DS contract) ▪ Manufacturer of specialist amplifiers ▪ Specialist spares and repairs ▪ Full rack wiring and integration ▪ Specialist test facility – RF Testing, Anechoic Chamber, EMC Chamber & Moog 6 Degree of Freedom Motion Bed ▪ Complex Wiring & Heavy Metalwork ▪ Advanced Box Build
Cebu, Phils (STI)	2,601	▪ 3 high-speed placement systems (6m components/day capacity) ▪ High volume PCB Assembly and Box Build ▪ Equipment and operational standards fully compatible with Hook manufacturing site

		▪ IP protection and full product traceability guaranteed
Total Manufacturing Space	**287,376**	
Sales and Marketing Support		
Hong Kong*	300	Procurement, marketing and supply chain support
Japan*	110	Sales Support
Total Support Space	**410**	
Total	**287,786**	

Lease Commitments

Operating Lease Commitments - Group as Lessee

Parent Company
The Parent Company entered into an amended lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease shall be for a period of three years, commencing on 2 January 2017 up to 31 December 2019, renewable at the option of the Parent Company upon such terms and conditions, and upon such rental rates as the parties may agree upon at the time of the renewal, taking into consideration comparable rental rates for similar properties prevailing at the time of renewal.

On 7 March 2014, the Parent Company executed a Lease Agreement with PEZA for the use of land located at the Blk 16 Phase 4 PEZA, Rosario, Cavite to be used exclusively for IMI Cavite's registered activities. The lease is for a period of 50 years renewable once at the option of the lessee for a period of not more than 25 years.

IMI Singapore and STEL Group
IMI Singapore and STEL Group have various operating lease agreements in respect of office premises and land. These non-cancellable lease contracts have remaining non-cancellable lease terms of between one to ten years. Most of the lease contracts of IMI Singapore and STEL Group contain renewable options. There are no restrictions placed upon the lessee by entering into these leases.

On 27 August 2014, STEL Group entered into an agreement related to the sale and leaseback of the building with DBS Trustee Limited (DBSTL), in its capacity as trustee of Soilbuild Business Space Reit. The existing light industrial building is sited on a land area of 3,993 square meters and is held under lease issued by Jurong Town Corporation (JTC) for a term of 30 years from 1 May 2000 with a covenant by JTC to grant further term of 20 years subject to the terms and conditions of the lease.

The transaction was completed on 23 December 2014 with the approval of JTC for DBSTL to takeover the lease of STEL with JTC. Pursuant to a Lease Agreement, DBSTL will lease the property to STEL for a term of ten years.

IMI Japan
On 15 February 2010, IMI Japan entered into a 2-year lease contract with Kabushikigaisha Tokyu Community for the lease of office premises located in Nagoya, whereby it is committed to pay a monthly rental of ¥245,490, and monthly maintenance fee of ¥35,070, inclusive of tax. The lease contract provides for the automatic renewal of the lease contract, unless prior notice of termination is given to the lessor. On 15 February 2012, IMI Japan renewed its lease contract for another six years.

IMI USA
On 16 November 2014, IMI USA entered into a third amendment to a standard industrial commercial single tenant lease contract for an extended term of 5 years commencing from 1 November 2015 to 31 October 2020 with Roy G. Harris and Patricia S. Harris for the lease of office premises. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties. The lease provides for monthly rental payment of $12,927 during the first year of the lease term and shall be increased based on fixed rental adjustments as set forth in the contract.

Psi
Laguna facilities
PSi leases its plant facilities, office spaces and other facilities in Calamba, Laguna from Centereach Resources, Inc. (CRI), an unrelated entity. The operating lease agreement will expire in March 2018.

In 2015, the operating lease agreement for the second facility was renewed and executed between CRI and the Company. The operating lease agreement commenced on 16 October 2015 and will expire on 18 October 2018. The operating lease agreement with CRI provides for increase in rental at varying rates over the term of the lease and a penalty interest rate of 3% per month using simple interest.

EMPLOYEES

The Company has a total workforce of 16,463 employees as of 31 October 2017 shown in the following table:

Job Groups	Total	Philippines	China/ SG/HK	USA	Japan	Europe	Mexico	VIA	STI
Managers	**409**	162	163	6	4	52	22	-	-
Supervisors	**1,763**	637	679	6	2	274	165	-	-
Rank-and-File	**2,796**	943	850	2	-	323	678	-	-
Technicians	**1,442**	356	1,009	-	-	77	0	-	-
Operators	**8,532**	3,829	2,561	0	-	1,437	705	-	-
Others	**1,521**	-	-	-	-	-	-	635	886
TOTAL	**16,463**	**5,927**	**5,262**	**14**	**6**	**2,163**	**1,570**	**635**	**879**

The relationship between management and employees has always been of solidarity and collaboration from the beginning of its operations up to the present. The Company believes that open communication and direct engagement between management and employees are the most effective ways to resolve workplace issues.

IMI has existing supplemental benefits for its employees such as transportation and meal subsidy, group hospitalization insurance coverage and non-contributory retirement plan.

The Company has or will have no supplemental benefits or incentive arrangements with its employees other than those mentioned above.

Intellectual Property

The table below summarizes the intellectual properties registered with the Patent and Trademark Offices in the United States and Singapore:

- Auto camera – Minicube filed in December 2013
- In addition to certain patents, know-how and expertise is critical
- IMI is able to leverage its extensive experience in unique applications to other relevant products

Existing / Pending Patents	Descriptions	Location / Filing Date	Expiration Date
Pending **USPTO 13457670**	Used for die attach of power devices that require very minimal voiding between device and substrate to avoid localized heating and potential failure. Describes a new process to perform soldering in a vacuum environment to promote minimal voiding without the use of specialized and expensive equipment, solder preform and gas atmospheres, but with the efficiency of a standard reflow soldering process.	April 2012	In Process
Pending PCT/US12/51573	A flip chip video camera mounted on a flexible substrate with glass stiffener	August 2012	In Process

Pending USPTO 14109918	Unique construction of camera module that enhances the dissipation of heat generated by the image sensor while being easy to manufacture.	December 2013	In Process
United States Patent 6,571,468 6,846,701	A method for forming a fine-pitch flip chip assembly interconnects fine pitch devices after they have been connected to a carrier substrate.	California, USA, 2001	2021
United States Patent 6,776,859	An improved anisotropic bonding system and method connects two conductive surfaces together using an anisotropic material having elastic conductive particles dispersed in an insulating heat-curable carrier.	California, USA, 2000	2020
United States Patent 6,648,213	A method for manufacturing a chip assembly that includes the steps of applying a controlled amount of flux to plurality of solder balls on a die, applying a non-fluxing underfill material to a substrate, and assembling the die and substrate together to form the chip assembly such that the non-fluxing underfill material is trapped between the die and the substrate.	California, USA and Singapore, 2001	2021
United States Patent 6,414,859	A passive component circuit comprising a bridge rectifier that is coupled in parallel to three capacitors.	Singapore, 2000	2020
United States Patent 7,787,265 B2	A dual switch forward power converter, and a method of operating the same, employs a self- coupled driver to achieve among other advantages higher efficiency, lower part count and component cost.	Singapore, 2007	2027
United States Patent 8,937,432 B2	Light Source Having LED Arrays for Direct Operation in Alternating Current Network and Production Method Thereof.	USA, 2015	2031
Japan - Applied	Bezelless display system	Divisional application filed	In Process
Taiwan - I 444 942		November 2014	July 2017
USA - US7924362		April 2011	October 2018
China - Applied	Nozzle to apply dry bonding preform	April 2014	In Process
Germany – 102013219628B4		August 2016	September 2017
South Korea – 10-1 703 383		January 2017	January 2020
Taiwan – I 530 330		April 2016	April 2018
Europe - EP2137570A1	Enhanced liquid crystal display system and methods	Published	In Process
Japan - JP 5513136		April 2014	April 2018
Taiwan - I 437 068		May 2014	May 2018
USA – 9 348 167		May 2016	November 2019
Germany – 600 42 590.8-08	SBLR (Super Bright Low Reflectance	July 2009	January 2018
Canada – 2 359 228		August 2005	January 2018
Taiwan – I 280 443		May 2007	April 2018
USA – 6 181 394		January 2001	January 2019
USA – 7 405 779		July 2008	January 2017
USA – 6 933 991		August 2005	January 2021
USA – 7 649 577		January 2010	July 2017

China - CN103820041A	Method for bonding two substrates used during manufacturing process of display device	May 2014	
Germany – Filed		Filed	
South Korea - 10-2014-0063470		May 2014	
Taiwan - 2014 32008		August 2014	

HEALTH, SAFETY, AND ENVIRONMENT

The Company regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. The Company maintains various environmental protection systems and conducts regular trainings on environment, health and safety.

The Company is complaint and incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Green Manufacturing

HSPM System

The Company supports and implements responsible sourcing, manufacturing, and execution through the Hazardous Substance Process Management System. Such system database helps the Company ensure that purchased items are compliant with different environmental requirements such RoHS2, REACH SVHC, and others, via materials third-party test reports, certificate of compliance, and materials declaration.

One of these environmental requirements is the Restriction on Hazardous Substances ("RoHS") directive. This directive aims to restrict certain dangerous substances commonly used in electronics manufacturing. Majority of the Company's customer (255 of 268 or 95.1 %) require RoHS compliance.

Technical Capability

The Company's ISO 17025-accredited Quality Technical Support ("QTS") laboratory is capable of detecting RoHS hazardous substances such as lead using an X-Ray Fluorescence ("XRF") machine. The XRF Machine is a nondestructive method to detect lead content in polymers, metals, and ceramic materials.

Supply Chain Approach

In 2013, the Company started communicating its Corporate Social Responsibility programs to its supply chain through the Electronics Industry Citizenship Coalition® ("EICC®") Supplier Evaluation Questionnaire Surveys and other tools to assess supplier capability.

The Company also started rolling out its program in support of the latest U.S. legislation "Dodd Frank Act or Conflict Metals". This law requires U.S. companies, through SEC filings, to declare sources of certain "conflict minerals" specifically the "3TG" metals, namely, tin, tantalum, tungsten, and gold. The law seeks to control the exploitation and trade of conflict metals originating from the Democratic Republic of Congo and neighboring countries.

INSURANCE

The Company's main insurance provider is BPI/MS Insurance Corporation. The Company maintains a property all risks insurance policy insuring all assets located within its manufacturing facilities, offices, and warehouses (including inventory) against, among others, fire and/or lightning, earthquake, typhoon and flood. In addition, the Company maintains a comprehensive general liability policy covering the Company's legal liability to third parties for accidental bodily injury and property damage arising from its products. A comprehensive motor insurance policy is also in place. Marine cargo insurance is purchased to cover the Company's properties that are in transit. See "Risk Factors — Risks Related to the Company's Business — Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance" on page 41 of this Prospectus.

LEGAL PROCEEDINGS

There are no material pending legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Company or any of its subsidiaries or its directors or executive officers is a party or of which any of its material properties are subject in any court or administrative government agency.

IMI vs. Standard Insurance - Civil Case No. 11-315

This is an action for specific performance filed by IMI against Standard Insurance ("Standard") seeking to collect Standard's share in the loss incurred by IMI consisting in damage to production equipment and machineries as a result of the 24 May 2009 fire at IMI's Cebu facility which IMI claims to be covered by Standard's "Industrial All Risks Material Damage with Machinery Breakdown and Business Interruption" policy. The share of Standard in the loss was 22% or US$1,117,056.84 after its co-insurers all paid.

IMI had to resort to court action after Standard denied its claim on the ground that this is an excepted peril.

Standard filed a Motion to Dismiss on the ground of improper service of summons, prescription, and no cause of action. On 9 November 2011, the Regional Trial Court ("RTC") of Makati City denied the Motion to Dismiss. Standard filed a Motion for Reconsideration. On 13 February 2012, the RTC denied the Motion for Reconsideration.

Standard elevated this to the Court of Appeals ("CA").

The CA in a Decision promulgated on 26 March 2013, dismissed the complaint on the ground that it has prescribed.

On 19 April 2013, IMI filed a Motion for Reconsideration, which was denied on 13 December 2013.

IMI filed a Verified Petition for Review on Certiorari with the Supreme Court which is still pending.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Company's financial position and results of operations.

SUBSIDIARIES

The following table presents certain information regarding the Company's Subsidiaries:

Subsidiary	Percentage of Ownership 2017	2016	Country of Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	**100.00%**	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	**100.00%**	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE)	**100.00%**	100.00%	China	USD
IMI Technology (Shenzhen) Co. Ltd. [a]	**100.00%**	−	China	USD
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Chong Qing) Co. Ltd. (STCQ) [b]	**100.00%**	100.00%	China	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	USD
Speedy-Tech (Philippines), Inc. (STPH) [c]	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	USA	USD
Monarch Elite Ltd. (Monarch) [d]	**100.00%**	100.00%	Hong Kong	USD
Cooperatief IMI Europe U.A. [e]	**100.00%**	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD [f]	**100.00%**	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	**100.00%**	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš	**100.00%**	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	**100.00%**	100.00%	Czech Republic	Czech Koruna (CZK)
IMI Display s.r.o. [g]	**100.00%**	−	Czech Republic	Czech Koruna (CZK)
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. [h]	**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
VIA Optronics GmbH (VIA)	**76.01%**	76.01%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**76.01%**	76.01%	China	RMB
VIA Optronics LLC (VIA LLC)	**76.01%**	76.01%	USA	USD
Integrated Micro-Electronics UK Limited (IMI UK)	**100.00%**	–	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	**80.00%**	–	United Kingdom	GBP
STI Poynton Limited	**80.00%**	–	United Kingdom	GBP
STI Philippines Inc.	**79.92%**	–	Philippines	PHP
STI Asia Ltd	**80.00%**	–	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd	**80.00%**	–	United Kingdom	GBP
IMI USA	**100.00%**	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	Japan	USD
Psi	**100.00%**	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [i]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [i]	**64.00%**	64.00%	Philippines	USD

[a] *New entity incorporated in Shenzhen which now runs the manufacturing operations of Pingshan and Kuichong*

[b] *On 30 June 2014, STEL Group's BOD passed a resolution to wind up STCQ. The dissolution was completed in 2016.*

[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] *On 19 June 2017, Monarch agreed to sell its net target assets and transfer its membership rights to IMI Singapore.*

[e] *Cooperatief is 99% owned by Monarch and 1% owned by IMI Singapore.*

[f] *On 1 January 2016, IMI BG changed its functional currency from Bulgarian Lev (BGN) to EUR*

[g] *No current operation.*

[h] *On 1 March 2014, IMI MX changed its functional currency from MXP to USD.*

[i] *On 21 June 2012, the BOD of PSiTech Realty and Pacsem Realty authorized the dissolution of PSiTech Realty and Pacsem Realty, subject to the Philippine SEC approval. As of 4 August 2017, such approval is still pending.*

IMI Singapore is an investment and holding entity that owns the wholly-owned subsidiaries Speedy-Tech Electronics Ltd. (“STEL”), Cooperatief IMI Europe U.A., the holding company of IMI Bulgaria EOOD, IMI Czech Republic s.r.o. and IMI Mexico S.A.P.I. de C.V. (collectively referred to as “IMI EU/MX Subsidiaries”) and VIA Optronics GmbH (“VIA”) with 76.01% stake, and IMI UK which has an 80% stake in STI Enterprises Ltd (“STI”).

STEL and its subsidiaries in Hong Kong, People’s Republic of China (PRC) and Singapore are principally engaged in the provision of Electronic Manufacturing Services (EMS) and Power Electronics solutions to original equipment manufacturing customers in the consumer electronics, computer peripherals/information technology, industrial equipment, telecommunications and medical device sectors, among others.

IMI EU/MX Subsidiaries design and produce printed circuit board assemblies (PCBAs), engage in plastic injection, embedded toolshop, supply assembled and tested systems and sub-systems which include drive and control elements for automotive equipment, household appliances, and industrial equipment, among others. IMI EU/MX Subsidiaries also provide engineering, test and system development, and logistics management services.

VIA is a Germany-based company with operations in Germany and China and sales offices in the USA and Taiwan. VIA is a leading provider for optical bonding, a key technology to lower reflections thus enabling sunlight readability and increasing robustness, which is mandatory to allow thinner and lighter portable display solutions. The acquisition will allow the Group to strengthen its partnerships with customers by offering complementary automotive camera and display monitor solutions for advanced driver assistance systems.

IMI UK is the vehicle used to acquire the 80% stake of of STI, an electronics manufacturing services (EMS) company based in the United Kingdom, with factories in Hook and Poynton in the United Kingdom and Cebu, Philippines. The acquisition allowed IMI’s access to the UK market through two acquired STI factories. Further, the partnership allows the group’s entry into the aerospace, security and defense sectors.

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

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

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

INDUSTRY

The information set out in this section "Industry" has been extracted from publicly available reports from Circuit Assembly, IHS GlobalSpec Electronics, the World Bank and the United States International Trade Commission.

ELECTRONICS MANUFACTURING SERVICES

Electronic manufacturing services ("EMS") are companies that design, assemble, produce, and test electronic components and printed circuit board ("PCB") assemblies for OEMs.

EMS companies may be contracted at various points in the manufacturing process to provide a variety of services, including design, assembly, and testing. Some companies require only a design file from the customer before proceeding to develop the product, source the components from a trusted distributor, and assemble and test the product. Alternatively, EMS providers who specialize in assembly may require the customer to provide the design, the components necessary for manufacturing, and an assembled sample. EMS companies may also provide additional onsite services, such as PCB etching, or provide these services through another contractor.

Electronic manufacturing involves different levels of automation, depending on the company and project. Companies that produce large runs of products typically use heavily automated manufacturing, while providers who specialize in prototypes or small production runs typically assemble PCBs manually to save the time and cost involved in setting up automated assembly equipment.

Many service providers design and test electronic products in addition to manufacturing them.

Design services encompass several related actions that occur after determining a customer's specifications or product needs and before manufacturing or assembly takes place. The EMS company may first provide a product concept detailing the main objectives of the project and preliminary specifications. The company may do research by interviewing product users, consulting experts, and exploring existing related products. After these two steps occur, the product is then developed, visualized, and tested, and a prototype is sent to the customer for approval.

EMS companies may provide one or more types of product testing after completing a prototype or product run:

- **Agency compliance testing** ensures that the product meets the safety and quality guidelines of a certain agency's standards.
- **Analytical laboratory testing** assists in quality control, failure investigation, and research and development.
- **Automated optical inspection** uses a computer to analyze a PCB to locate defects, including broken traces, excess solder, etching problems, or improper hole registration.
- **Environmental testing** simulates a product's intended environment. Environmental tests may vary the environment's temperature, humidity, and vibration to test the product's resistance.
- **Functional testing** simulates the assembly's normal function to test its overall operational characteristics.
- **In-circuit testing** involves probing individual components within the circuit to test their operation.
- **X-ray testing** uses non-destructive imaging techniques to provide a thorough analysis of an assembly.

Electronic manufacturing companies may specialize in one or more areas of manufacturing technique and production size.

Manufacturing

Electronics manufacturing encompasses several different types of electronic products, including but not limited to printed circuit boards, microelectronics, optoelectronics, and radio frequency/wireless devices.

PCBs are flat boards that hold electronic components. EMS providers populate PCBs with components to create printed circuit assemblies (PCAs), and may have the capability to work with several different types of boards. PCBs are assumed to be rigid and manufactured as a hard, inflexible board. Flexible PCBs can bend and accommodate flexible circuits used in instrumentation, automotive, and medical applications. Rigid-flexible PCBs are rigid boards with flexible interconnects.

EMS companies may also specialize in one of two types of PCB technology: through hole (“THT”) and surface mount (“SMT”).

- THT technology involves mounting components by inserting their leads through holes drilled in the board. The leads are then soldered into place on the opposite side of the board. THT components are typically hand-soldered or wave soldered to a PCB in a production line.

- SMT technology components are soldered to the top of the board, and are usually smaller and less expensive than THT components. From a manufacturing standpoint, modern pick-and-place equipment can mount SMT components quickly and accurately.

As its name implies, microelectronics deals with the manufacture of very small semiconductor components and includes flip chips and chip on board devices. Flip chips are integrated circuits that connect to external circuitry using solder bumps deposited on the chip. They are often used in cell phones, pagers, and other small electronics. Chip-on-board devices involve bonding bare dies to PCBs.

Optoelectronic devices involve sourcing, detecting, or controlling light. EMS companies may assemble optical switches, fiber optic transmitters and receivers, and laser modules.

Radio frequency or wireless devices are frequently used in telecommunications and data transfer applications. EMS providers may assemble radio frequency identification devices and other telecommunication and wireless technologies.

Production

EMS companies may specialize in several different production levels and speeds, depending on their available equipment and capabilities.

In particular, some providers build prototypes, which are early samples made to test a product's concept, following the design phase. Prototyping ensures that the product will serve its intended purpose after it is manufactured as part of a larger production run. Prototypes are often built with cheaper materials than those used in the production process. In the past, electronics manufacturers produced prototypes using breadboards and THT components, but the widespread availability of custom prototype PCBs now allows manufacturers to produce prototypes that closely mirror the intended product. Prototyping may occur multiple times at various points in the design and planning stages of a project.

EMS companies often specify their production volume capabilities. Although production volume statistics are relative, general guidelines can be specified:

- Low volume providers produce small quantities, typically 1 to 100 products. Low volume is often similar to or synonymous with prototyping.

- Medium volume providers are able to produce around 100 to 10,000 products annually.
- High volume providers can produce more than 10,000 units annually.

Electronics manufacturers may also specify specialty production techniques, including quick turn production and cabling services. Quick turn manufacturers can assemble PCBs within a short time, usually 48 hours, after receiving all components. Cabling manufacturers attach cables to electronic assemblies.

Prospects

The worldwide EMS market will grow 5.4% compounded annually between 2016 and 2021, according to a market research report by New Venture Research, a provider of business intelligence, growth management and advisory services to companies in the advanced electronics markets. The worldwide EMS market is a determining force in production of electronics products and now accounts for almost 24% of all assembly. While the rate of growth for outsourcing is slowing, it still represents the most desired manufacturing model for the assembly of electronics products available to OEM companies. The EMS industry declined 0.9% in 2016.

Year	2016	2017	2018	2019	2020	2021	CAGR
Value $B	329	346	364	383	404	427	5.4%
% change	-0.9%	5.0%	5.2%	5.2%	5.6%	5.%	

Source: New Venture Research, July 2017

The total electronics assembly value was US$1.4 trillion in 2016 and will grow to approximately US$1.71 trillion in 2021, a 4.2% compounded annual growth rate.

The EMS portion has total revenues of US$329 billion in 2016, and its forecast growth is 5.4% CAGR until 2021 to reach $427 billion.

Experts have noted that on the way to creating more factories of the future, this year will set the stage for a new manufacturing renaissance. With the manufacturing industry having an established track record of continuously improving productivity, an “intelligent economy” driven by more informed consumers and one in which talent is at a premium, will dramatically restructure value chains to be closer to demand regardless of direct labor costs.

EMS is shifting from the “E” (electronics) toward the “S” (services), and where “M” (manufacturing) had until recently been all about low costs, its future will be dependent on efficiency.

Leading competitive factors for the ASEAN Region and the Philippines

Electronics products are considered a major source of manufacturing in the ASEAN region. The ASEAN region has been regarded for a long time as an attractive destination for the production of electronics. There are various competitive factors that determine the competitiveness of countries in the ASEAN region within the global supply chain for electronics and computer components.

One of the most competitive factors is the availability and cost of labor, including both skilled professionals and assembly workers. The EMS industry is skill-intensive and relies heavily on an adequate supply of well-trained technicians and engineers due to the rapid pace of innovation. As such, companies must find engineers and technicians locally or easily bring them into a country. Furthermore, a country must have an available pool of productive assembly workers that can be hired at a competitive wage. Hence, diversity of the labor is considered giving particular countries a competitive advantage in attracting investment and jobs in the industry, and not only skill availability or labor cost.

A major strength of the sector in the Philippines comes from the fact that the labor force in the Philippines is extremely large, with about 100,000 engineering, information technology, and technical graduates every year. This labor force is considered cost competitive, trainable and technically capable, and a large number of the workers speak English.

Another competitive factor is the existence of a base of suppliers. When EMS companies are located close to a base of suppliers that are competitive, such as in a cluster, it facilitates the sharing of information, minimizes plant inventory, speeds logistics, and ensures a ready supply. The degree to which ASEAN countries have adequate supplier bases varies. Developing supplier networks is especially important to ASEAN countries and their relative competitiveness in the industry, especially considering that this is an area in which China excels. Many companies in the Philippines have thus aggressively developed a base of local suppliers for various elements of the electronics value chain like enclosures.

Other competitive factors include transportation infrastructure. Speed to market is important in the EMS industry, so competitiveness depends on adequate infrastructure. Size of domestic market is also an added incentive for some companies in the industry in choosing where to locate production. Furthermore, enforcement of intellectual property rights greatly affects the competitiveness of a country, as counterfeit components are a major concern for companies, especially for computer components as they can be easily counterfeited. Countries that effectively enforce intellectual property rights therefore have a competitive advantage over those where enforcement is weak. Within ASEAN, intellectual property enforcement varies widely. Many customers of EMS companies in the Philippines often feel more comfortable with the intellectual property protection as compared to other countries.

Source: United States International Trade Commission, "ASEAN: Regional Trends in Economic Integration, Export Competitiveness, and Inbound Investment for Selected Industries", August 2010, Agarwalla, G., "Philippines: electronic equipment production and manufacturing", World Bank Working Paper, 2005.

REGULATORY AND ENVIRONMENTAL MATTERS

IMI has engaged independent legal counsel Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law) for matters relating to the permits and licenses of the Company, which has issued an opinion that all material permits and licenses of the Company to pursue its businesses and projects in the Philippines are valid and subsisting. The permits and licenses of the Company examined by C&G Law together with pertinent details are provided below. A list of the ROHQ licenses also follows:

Name of License/Permit (Laguna/General)	Body that Issued the License/ Permit	Issue Date	Expiry Date
1. Certificate of Registration No. 94419	SEC	08/08/1980	08/08/2030
2. Certificate of Filing of Amended Articles of Incorporation No. 94419	SEC	12/20/2017	
3. Authority to Print No. 8AU0000 273913	BIR	10/16/2014	10/15/2019
4. Authority to Print No. 8AU0000 273915	BIR	10/16/2014	10/15/2019
5. Barangay Business Clearance Control No. BBC033718	Barangay Biñan, Biñan, Laguna	1/8/2018	12/31/2018
6. BIR Certificate of Registration (Form 2303) OCN 8R00000 39992 TIN 000-409-747-000	BIR Large Taxpayers Service	1/2/1988	None indicated in the certificate.
7. BOI letter approving reinstatement of BOI Registrations	BOI	06/22/2009	
8. BOC Certificate of Registration CCN EX0000 134414	BOC	10/20/2017	10/20/2018
9. Business Permit No. 2018-00494	City of Biñan, Laguna	1/9/2018	12/31/2018
10. Discharge Permit No. DP-21a-016-02492	LLDA	2/6/2017	01/16/2019
11. Discharge Permit No. DP-21a-016-02493	LLDA	2/15/2017	01/16/2019
12. DOLE registration No. 186608070	DOLE Regional Office No. IV-A CALABARZON	4/15/2002; re-registered on 8/7/2006	None indicated
13. Engineering Clearance Control No. 2018-01-0515	City of Biñan, Laguna Office of the Building Official	1/9/2018	12/31/2018
14. Environmental Clearance No. 18-0498	City of Biñan, Laguna City Environment and Natural Resources Office	1/9/2018	12/31/2018
15. Environmental Compliance Certificate No. ECC-R4A-1607-0233	DENR-EMB Regional Office No. IV-CALABARZON	8/2/2016	None indicated in the ECC
16. Environmental Compliance Certificate No. ECC-R4A-1709-0321	DENR-EMB Regional Office No. IV-CALABARZON	9/29/2017	None indicated in the ECC

Name of License/Permit (Laguna/General)	Body that Issued the License/ Permit	Issue Date	Expiry Date
17. License to Handle Controlled Precursors & Essential Chemicals (CPECS) No. P5I-006120001-RO61 P3-006120001-R070	PDEA	09/07/2017	10/06/2018
18. License to Handle Controlled Precursors & Essential Chemicals (CPECS) P3-006120002-R060	PDEA	01/18/2017	2/16/2018
19. License to Operate an X-Ray Facility No. IV-I-0135-17	FDA	11/8/2016	12/31/2017
20. License to Operate an X-Ray Facility No. IV-I-0060-17	FDA	10/28/2016	12/31/2017
21. Pag-IBIG Employer ID Number/ Registration No. 2016466 80021	Pag-IBIG (HDMF)	02/08/2013	
22. Permit to Operate Air Pollution Source and Control Installations No. 2013-POA-0434-081	DENR-EMB CALABARZON Region	07/04/2013	4/30/2018
23. Permit to Operate Air Pollution Source and Control Installations No. 2016-POA-0434-042	DENR-EMB Regional Office No. IV-CALABARZON	10/27/2016	10/16/2021
24. Permit to Use Computerized Accounting System No. 1214-116-00171CAS	BIR	01/01/ 2015	None indicated in the permit
25. Permit to Use Loose-leaf Invoices LTAD-LL-09-769-14	BIR	09/05/ 2014	None indicated in the permit
26. PEZA Certificate of Registration - Export Enterprise No. 94-59	PEZA	12/03/2015	None indicated in the certificate
27. PEZA Certificate of Registration - Facilities Enterprise No. 11-1-9-F	PEZA	11/29/ 2011	None indicated in the certificate
28. Philhealth registration Employer no. 200334 300146	Philhealth	Not indicated in screenshot	None indicated
29. Purchaser's License (Controlled Chemicals) No. PDD03-250116-04052	PNP Civil Security Group Firearms and Explosives Office	1/23/2017	2/09/2018
30. Purchaser's License (Controlled Chemicals) No. PDD03-220501-01990	PNP Civil Security Group	4/20/2017	5/20/2018
31. Radioactive Material License No. Y04.04125.16	DOST Philippine Nuclear Research Institute	7/11/2016	5/31/2018
32. Sanitary Permit to Operate No. 0511-2018	Biñan Office of the City Health Officer	1/9/2018	12/31/2018
33. Zoning Clearance Zoning Permit No. DZC-00499-2018	City of Biñan, Laguna City Planning and Development Office	1/9/2018	12/31/2018

Name of License/Permit (Cavite)	Body that Issued the License/ Permit	Issue Date	Expiry Date
1. Certificate Of Registration (BIR Form 2303)	BIR	12/12/2012	None indicated.

Name of License/Permit (Cavite)	Body that Issued the License/ Permit	Issue Date	Expiry Date
OCN 8R00000 39988 TIN 000-409-747-005	Large Taxpayers Service		
2. Environmental Compliance Certificate No. ECC-R4A-1604-0127	DENR-EMB Regional Office No. IV-CALABARZON	5/3/2016	None specified in the ECC.
3. License to Handle Controlled Precursors & Essential Chemicals (CPECS) No. PS-IM006120003-RO45	PDEA	05/03/2017	6/28/2018
4. License to Operate an X-Ray Facility No. IV-I-0193-18	FDA	11/6/2017	12/31/2018
5. Permit to Discharge to PEZA Sewerage System No. WW-CEZ-17-01-058	PEZA Environment, Health and Safety Division	1/12/2017	12/31/2017
6. Permit to Operate Air Pollution Source and Control Installations No. 2017-POA-0421-447	DENR-EMB CALABARZON Region	08/31/2017	8/24/2022

License/Permit Name	IMI ROHQ		
	License No.	Issue Date	Expiry Date
SEC Certificate of Registration	FS200905182	04/16/2009	
BIR Form 2303 - Certificate of Registration	OCN 1RC000634390	06/25/2013	
Authority to Print Invoices	OCN 1AU0001692572	09/22/2017	09/21/2022
	OCN 1AU0000999180	06/24/2013	06/24/2018
Barangay Business Clearance	BBC03618	01/08/2018	12/31/2018
Business Permit	2018-00496	01/09/2018	12/31/2018
Environmental Clearance (for Business Permit)	18-0500	01/09/2018	12/31/2018
Engineering Clearance (for Business Permit)	2018-01-0518	01/09/2018	12/31/2018
Zoning Clearance (for Business Permit)	DZC-00600-2018	01/09/2018	12/31/2018
Sanitary Permit (For Business Permit)	0513-2018	01/09/2018	12/31/2018

BOARD OF INVESTMENTS

The Board of Investments (the "BOI"), an agency under the Department of Trade and Industry, is the lead investments promotion agency of the Philippines. The agency is designed to promote inward investments and assist local and foreign investors in their venture of the desirable areas of business, defined in the annually-prepared Investment Priorities Plan ("IPP"). Under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, as amended, the BOI is mandated to encourage investments through tax exemption and other benefits in preferred areas of economic activity specified by the BOI in the IPP. The IPP, formulated annually by the BOI, through an inter-agency committee, and approved by the President, lists the priority activities for investments. It contains a listing of specific activities that can qualify for incentives.

A Filipino enterprise can register its activity with the BOI if its project is listed as a preferred project in the current IPP. Said enterprise may engage in domestic-oriented activities listed in the IPP whether classified as pioneer or non-pioneer. However, an activity which is not listed, may also be entitled to incentives if the following conditions are met: (i) At least 50% of the production is for export (for 60% Filipino-40% Foreign-owned enterprises), or (ii) At least 70% of production is for export (for more than 40% foreign–owned enterprises).

Generally, BOI-registered enterprises are exempt from payment of the income taxes depending on the project's status as follows: (i) six (6) years for new projects with a pioneer status, (ii) four (4) years for new projects with a non-pioneer status, (iii) three (3) years for expansion projects, (iv) six (6) years for new or expansion projects in less developed areas, and (v) modernization projects for three (3) years.

BOI-registered enterprises also enjoy taxes and duties exemption on imported spare parts, as well as an exemption on wharfage dues and export tax, duty, impost and fees on its non-traditional export products. Other fiscal incentives include (i) reduced duty rates on capital equipment, spare parts, and accessories, (ii) tax credits on domestic breeding stocks, genetic material, raw materials, and supplies, and (iii) additional deductions from taxable income on labor expense as well as necessary and major infrastructure work. BOI-registered enterprises are also entitled to other non-fiscal incentives such as the employment of foreign nationals, streamlined customs procedures, the importation of consigned equipment, and the operation of a bonded manufacturing/trading warehouse project.

The Company is compliant and incurs expenses for the purposes of complying with importation and exportation laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

SPECIAL ECONOMIC ZONE

PEZA is a Government corporation that operates, administers and manages designated special economic zones ("Ecozones") around the country. Ecozones, which are generally created by proclamation of the President of the Philippines, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. PEZA-registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials, exemption from wharfage dues and export tax, impost or fees, VAT zero-rating of local purchases, exemption from payment of any and all local government imposts, fees, licenses or taxes, and exemption from expanded withholding tax.

ENVIRONMENTAL LAWS

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain ECC prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

For environmentally critical projects with ECCs issued by the EMB – Central Office, project proponents are required to submit their Compliance Monitoring Reports ("CMR") through the Philippine Environmental Impact Statement System (DENR Memorandum Circular No. 2016-001).

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The ECC is a Government certification, that the proposed project or undertaking will not cause a significant negative environmental impact, that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

All proponents of environmentally critical projects with individual air emission equipment having the potential to emit at least 750 tons per year of any regulated pollutants are mandated to transmit images/data from its Continuous Emission Monitoring System ("CEMS") and Closed Circuit Television ("''CCTV") (DENR Administrative Order No. 2017-14).

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company is compliant and incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

NATIONALITY RESTRICTIONS

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Tenth Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly- nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

The Company does not currently own real estate. However, if the Company acquires real estate in the future, it would be subject to nationality restrictions found under the Philippine Constitution and other laws limiting land ownership to Philippine Nationals. The term "Philippine National" as defined under the R.A. No. 7042, as amended, shall mean a citizen of the Philippines, a domestic partnership or association wholly-owned by citizens of the Philippines or a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code of which 60% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

LABOR CODE

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System (“SSS”). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

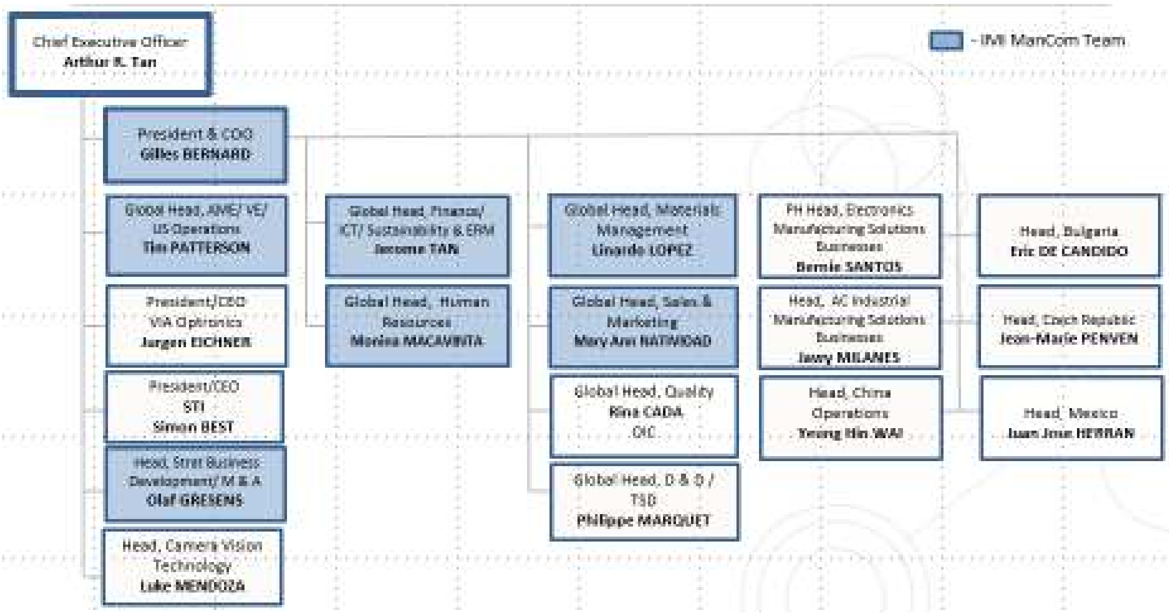
The National Health Insurance Act created the National Health Insurance Program (“NHIP”) to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. The Philippine Health Insurance Corporation (“PhilHealth”) administers the NHIP, and an employer is required to deduct and withhold the contributions from the employee‘s salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The Home Development Fund Law (R.A. No. 9679) or the Pag-IBIG Fund Law, created the Home Development Mutual Fund (“HDMF”), a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF. The Pag-IBIG Fund Law also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

DATA PRIVACY

IMI must comply with, and have adequate measures in place to ensure that its directors, officers, employees, and its representatives comply at all times with: (a) the provisions and obligations contained in Republic Act No. 10173 (“Data Privacy Act of the Philippines”) and its implementing rules and regulations, and (b) other applicable data privacy laws and regulations, as may be promulgated and/or amended from time to time.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT BOARD OF DIRECTORS AND SENIOR MANAGEMENT



BOARD OF DIRECTORS

At the Regular Annual Stockholders' meeting held on 7 April 2017, the stockholders considered and approved the following

Name	Position
Jaime Augusto Zobel de Ayala	Chairman
Fernando Zobel de Ayala	Member
Delfin L. Lazaro	Member
Arthur R. Tan	Member, Chief Executive Officer
Jose Teodoro K. Limcaoco	Member
Gilles Bernard	Member, President
Jose Ignacio A. Carlos	Member
Rafael Ma. C. Romualdez	Member
Alelie T. Funcell	Independent Director
Hiroshi Nishimura	Independent Director
Edgar O. Chua	Independent Director

Jaime Augusto Zobel de Ayala, Filipino, 57, has served as Chairman of the Board of Directors of IMI since January 1995. He holds the following positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala land, Inc. and Manila Water Company, Inc. He is also the Chairman of Ayala Education, Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc. and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy Holdings, Inc., Ayala Healthcare Holdings, Inc., LiveIt Investments Limited, AI North America, Inc., and AG Holdings Limited; Chairman of Harvard Business School Asia-Pacific Advisory Board; and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, and Endeavor Philippines. He was the Philippine Representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council from 2010 to December 2015. He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business Administration in 1987. In 2007, he received the Harvard Business

School Alumni Achievement Award, the school's highest recognition. He was a recipient of the Presidential Medal of Merit in 2009 for enhancing the prestige and honor of the Philippines both at home and abroad. In 2010, he was bestowed the Philippine Legion of Honor, with rank of Grand Commander, by the President of the Philippines in recognition of his outstanding public service. In 2015, he received the Order of Mabini, with rank of Commander, for his vital contributions during the Philippines' hosting of the Asia Pacific Economic Cooperation (APEC) Summit.

Fernando Zobel de Ayala, Filipino, 56, has served as a director of IMI since January 1995. He holds the following positions in publicly listed companies: Director, President and Chief Operating Officer of Ayala Corporation; Chairman of Ayala Land, Inc. and Manila Water Company, Inc.; and Director of Bank of The Philippine Islands and Globe Telecom, Inc. He is the Chairman of AC International Finance Ltd., Ayala International Holdings Limited, Accendo Commercial Corporation, Alabang Commercial Corporation, Automobile Central Enterprises, Inc., AC Industrial Technology Holdings, Inc., Liontide Holdings, Inc., AC Energy Holdings, Inc., Ayala Healthcare Holdings, Inc. and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice Chairman of Ceci Realty, Inc., Vesta Property Holdings, Inc., Aurora Properties, Inc., Columbus Holdings, Inc. Emerging City Holdings, Inc., Fort Bonifacio Development Corporation, and Bonifacio Land Corporation; Director of LiveIt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., AC Infrastructure Holdings Corporation, Ayala Retirement Fund Holdings, Inc. , Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corp., Manila Peninsula and Habitat for Humanity International; Member of the INSEAD East Asia Council, World Presidents' Organization, Habitat for Humanity International, Asia Philanthropy Circle, TATE Asia Pacific Acquisitions Committee and The Metropolitan Internal Council; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, National Museum, Asia Society . He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Arthur R. Tan, Filipino, 57, is a member of the Board of Directors of IMI since July 2001. He has been the Chief Executive Officer of IMI since April 2002. Concurrently, he is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee. He is also the Chairman of the Board and Chief Executive Officer of PSi Technologies Inc., President and Executive Officer of Speedy-Tech Electronics Ltd.; and President and Chief Executive Officer of AC Industrial Technology Holdings, Inc. He was the President of IMI from April 2002 to June 23, 2016. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.

Gilles Bernard, French, 59, has been a Director and the President of IMI since 23 June 2016, and the Global Chief Operating Officer of IMI since February 2016. He holds this position on top of his role as Head of Global Operations Support. Concurrently, he is also the President of PSi Technologies Inc., a semiconductor assembly and test subsidiary of IMI. Before this movement, he was the COO for Europe and Mexico operations and Head of Global Operations support overseeing global Materials Management, Quality, Sales and Key Strategic Accounts Management. Prior to joining IMI, he was the General Manager of EPIQ NV from 1995 up to 2001, before he assumed the CEO post in 2001. He held this position until EPIQ NV's acquisition in 2011. He started his career as a development engineer and later on became D & D Manager of passive components division of Thomson. He then moved to the SMEE subsidiary of Mitsubishi Corporation as Quality Manager of SMEE. He finished a degree in Engineering and obtained a Master's Degree in Physics and Chemistry from Paris 13th University in 1976.

Jose Ignacio A. Carlos, Filipino, 47, has been a Director of IMI since December 2006. Concurrently, he is the President of Polymer Products Philippines, Inc. and AVC Chemical Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, Mindanao Energy Systems, Inc., Cagayan Electric Power and Light Co., and Philippine Iron Construction and Marine Works, Inc. He earned a BS Management degree from the Ateneo de Manila University in 1991 and finished Masters of Business Administration at the Johnson Graduate School of Management Cornell University in 1999.

***Delfin L. Lazaro*, **Filipino, 70, has served as member of the Board of IMI since May 2000. He holds the following positions in publicly listed companies: Director of Ayala Corporation, Ayala Land, Inc., Manila Water Company, Inc., and Globe Telecom, Inc.. His other significant positions include: Chairman of Philwater Holdings Company, Inc. and Atlas Fertilizer & Chemicals Inc.; Chairman and President of A.C.S.T. Business

Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Industrial Technology Holdings, Inc., Ayala International Holdings, Ltd., AYC Holdings, Inc., Bestfull Holdings Limited, and Probe Productions, Inc.; and Trustee of Insular Life Assurance Co., Ltd. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Jose Teodoro K. Limcaoco, Filipino, 54, has been a director of IMI since 8 April 2016. He also holds the following positions in publicly listed companies: Chief Finance Officer and Finance Group Head of Ayala Corporation, Director of Globe Telecom, Inc. and an Independent Director of SSI Group, Inc.. He is the Chairman of Darong Agricultural and Development Corporation, and Zapfam, Inc. He is the Chairman, President and CEO of Water Capital Works, Inc. He is the President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of Ayala Hotels, Inc., AC Energy Holdings, Inc., Ayala Healthcare Holdings, Inc., Ayala Aviation Corporation, Ayala Education, Inc., Asiacom Philippines, Inc., AG Counselors Corporation, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc., LICA Management Inc., and Just For Kids, Inc. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He served as the President of the Chamber of Thrift Banks from 2013-2015. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Rafael Ma. C. Romualdez, Filipino, 53, has been a Director of IMI since May 1997. He is presently a Director of Resins, Inc., RI Chemical Corporation, Chemserve Incorporated, Claveria Tree Nursery, Inc., Lakpue Drug Incorporated and La Croesus Pharma Incorporated. He is also the Chairman of the Philippine Iron Construction and Marine Works, Inc., Pacific Resins, Inc., and MC Shipping Corp. He earned a degree in B.A. Mathematics from Boston College in 1986 and took Masters in Business Administration at the George Washington University in 1991.

Alelie T. Funcell, Filipino, 61, has been an independent director of IMI since April 2010. She is the Founder, CEO, and President of Renewable Energy Test Center. She served as Chief Operating Officer and Senior Vice President of Quality at Solaria, Inc., a manufacturer of c-Si Photovoltaic products and Vice President of Supplier Management and Manufacturing Operations of Xilinx, Inc., a billion dollar semiconductor company. She is not a director of any publicly listed company. Prior to Xilinx, she also worked in several semiconductor companies, including Intel, IDT and Silicon Systems. She is credited with numerous patents in the Semiconductor Packaging and Solar Industry. She is twice a recipient of the S.C. Valley YWCA "Tribute to Woman in the Industry" (TWIN) Award in 1994 while at IDT and in 2000 while at Xilinx. She was President of the Filipino-American Association of Milpitas, California in 1994 to 1996, a very active Bay area Filipino organization. She received an award from the FWN, as one of the 100 Most Influential Filipino Women in the United States in 2009. She finished a degree in Chemical Engineering at University of Sto. Tomas in 1977.

Hiroshi Nishimura, Japanese, 64, has been an independent director of IMI since April 2010. He is the Chairman and President of Linkwest International Consultancy Services, Inc. He also serves as the Executive Vice President of All Purpose Appliances & Multi-Products, Inc. He served as President of Panasonic Communications Philippines Corporation (PCP), formerly known as Kyushu Matsushita Electronics Philippines (PKME), from 2000-2007. He finished a degree in Electronics Engineering Course at Kurame University in 1976.

Edgar O. Chua, Filipino, 60, has been an independent director of IMI since April 2014. He is the Chairman of Pilipinas Shell Petroleum Corporation, a publicly listed company; and currently in the advisory boards of Mitsubishi Motors & Coca-Cola FEMSA Philippines. He is also the Chairman of the Makati Business Club and trustee of various civic and business organizations including the National Competitiveness Council and the Trilateral Commission. He held senior positions outside the Philippines as Transport analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia, and various regional positions in Shell Oil Products East. Mr. Chua earned his Bachelor of Science Degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminar and courses including the senior management course in INSEAD, France.

KEY OFFICERS

As of 31 October 2017, the key officers of the Company are:

Name	Position
Jaime Augusto Zobel de Ayala	Chairman of the Board
Arthur R. Tan	Chief Executive Officer
Gilles Bernard	President and Global Chief Operating Officer
Jerome S. Tan	Senior Managing Director, Global Chief Financial Officer/ICT and Treasurer
Linardo Z. Lopez	Senior Managing Director, Global Head of Materials Management
Jaime G. Sanchez	Vice President, Deputy Chief Financial Officer, Group Controller and Compliance Officer
Solomon M. Hermosura	Corporate Secretary
Joanne M. Lim	Assistant Corporate Secretary

Jerome S. Tan, Singaporean, 55, is a Senior Managing Director and the Global Chief Finance Officer of IMI since January 2011. He oversees Finance, Treasury, Credit, Controllership and ICT functions of the IMI global operations. He brings more than 25 years of broad experience and various achievements in finance, strategic planning, business development and acquisition/integration. He has assumed regional leadership roles in multi-national Banking and Finance companies, and Food and Beverage industry located in different countries in the Asia Pacific Region. Prior to joining IMI, he was with General Electric holding various regional and operating roles in Finance and Business Development including CFO for CNBC / NBC Universal Asia Pacific, CFO of GE Money Singapore and GE Money Bank in the Philippines. Before taking on operating CFO positions, he was the Regional FP&A Leader for GE Money Asia; and a Business Development Director for GE Capital responsible for mergers and acquisition. Prior to joining GE, he was also a key member of the management team of San Miguel Brewing International Ltd., managing Treasury and Financial Planning, and Corporate Planning and Business Development. He started his career in banking as an Associate in Robert Fleming, Inc. based in New York and was also an Assistant Director in First Pacific Bank Asia, Ltd., in Hong Kong. He graduated from the De La Salle University, Manila, with the degree of B.A. Economics under the Honors Program and he earned his MBA in General Management from the Darden Business School at University of Virginia, USA.

Linardo Z. Lopez, Filipino, 59, joined IMI as Senior Managing Director and Global Head of Materials Management in March 2008 and has served as such up to the present. He spent a significant part of his career in OEM and contract manufacturing industries, notably with industry leaders such as Solectron and Flextronics in China. He finished a degree in Management and Industrial Engineering at Mapua Institute of Technology in 1978.

Jaime G. Sanchez, Filipino*,* 61, is a Vice President and the Deputy CFO, Group Controller and Compliance Officer of IMI. He has worked with different Ayala companies for more than thirty (30) years including eighteen (18) years at IMI. He was also assigned as OIC – Chief Financial Officer of IMI starting August 2010 up to early part of 2011. He brings with him solid professional experience from his stints in FGU, BPI-MS and Universal Reinsurance. He finished a degree in Bachelor of Science in Commerce major in Accounting at Polytechnic University of the Philippines in 1978.

Solomon M. Hermosura, Filipino, 54, has served as Corporate Secretary of IMI since November 2013. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as Corporate Secretary and Group General Counsel of Ayala Land, Inc.; Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He served as a Director of Bank of the Philippine Islands from April 18, 2003 to April 9, 2014 and of Integrated Micro-Electronics, Inc. from April 14, 2009 and April 12, 2012. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Joanne M. Lim, Filipino, 34, has served as Assistant Corporate Secretary of IMI since June 23, 2016. She is also the Assistant Corporate Secretary of Ayala Corporation, AC Industrial Technology Holdings, Inc., Ayala Healthcare Holdings, Inc., AC Education, Inc., LiveIt Investments Limited, and other companies within the Ayala Group to which she also provides other legal services. She is a Counsel at Ayala Group Legal. Prior to joining Ayala Group Legal in 2015, she was a Project Legal Advisor for CFT Transaction Advisors. She served as Director of the Legal Affairs Office of the Department of Finance from 2011 to 2013 and was an Associate at SyCip, Salazar, Hernandez & Gatmaitan Law Offices from 2007 to 2010. She obtained her Bachelor of Laws degree in 2007 and her Bachelor of Arts degree in Broadcast Communication (magna cum laude) in 2003, both from the University of the Philippines, Diliman. She has a Master of Laws degree in Global Business Law from New York University and a Master of Laws degree in Corporate and Financial Services Law from National University of Singapore. She was admitted to the Philippine Bar in 2008 and to the New York State Bar in 2015.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Prospectus: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

CORPORATE GOVERNANCE

The Company submitted its Revised Manual on Corporate Governance to the SEC on 30 May 2017 in compliance with SEC Memorandum Circular No. 13, series of 2016. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance.

The Company applies conservative financial and operational controls in the management of its business risks. Organizationally, the lead director/chief operating officer/chief risk officer has ultimate accountability and responsibility to ensure risk management initiatives at subsidiaries operating in various countries all over the world are aligned with the Company and is responsible for submission of risk reports to ensure key risks are well understood, assessed, measured, and reported. The internal audit unit provides support by regularly processing audits and improvements.

The Audit & Risk Committee of the Board meets regularly and performs its oversight role in managing the risks involved in the operations of the Company. The Board appointed a Chief Risk Officer who oversees the entire risk management function and is responsible for overall continuity.

In terms of internal control risks, control mechanisms, systems and policies had been put in place in order to address any control lapses. The Audit & Risk Committee sees to it that these internal control risks are properly addressed through strict compliance with these system controls, policies and procedures. Moreover, the Company has a culture and systems for transparency, corporate governance, disclosure, and checks-and-balances between various decision-making personnel that minimize the risks described above.

The Company has adopted various Risk Management Policies such as hedging policy to protect its position on different currencies against movements of the U.S. dollars. Limits on business transactions have been set with different sites following the Company guidelines on limit of authorities granted to Company officers and executives. The Company has also introduced and adopted the Enterprise Risk Management program that will identify the universe of risks related to the business and draw action plans to mitigate and manage the risk exposures.

The Company signs unilateral and bilateral agreements with customers, vendors, and partners to restrict or limit the use of the recipient of confidential information.

EVALUATION SYSTEM AND COMPLIANCE

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.
- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. The commission of a third violation by any member of the board or the Company or its Subsidiaries and affiliates shall be sufficient cause for removal from directorship. In case the offender is a member of the Board of Directors, the provisions of Section 28 of the Philippine Corporation Code shall be observed.

COMMITTEES OF THE BOARD The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

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

Audit and Risk 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
Alelie Funcell - Chairman
Delfin L. Lazaro - Member
Hiroshi Nishimura - 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
Hiroshi Nishimura – Chairman
Rafael Ma. C. Romualdez – Member
Edgar O. Chua – Member
Jose Teodoro K. Limcaoco - Member

Officers:

Jaime Augusto Zobel de Ayala	-	Chairman of the Board
Arthur R. Tan	-	Chief Executive Officer
Gilles Bernard	-	President and Chief Operating Officer
Jerome S. Tan	-	Global Chief Finance Officer/ICT and Treasurer
Linardo Z. Lopez	-	Senior Managing Director, Global Head of Materials Management
Jaime G. Sanchez	-	VP and Compliance Officer
Solomon M. Hermosura	-	Corporate Secretary
Joanne M. Lim	-	Assistant Corporate Secretary

EXECUTIVE COMPENSATION SUMMARY

Compensation

The following are the Company's President and four (4) most highly compensated officers for the period ended 31 October 2017:

Name		**Position**
Arthur R. Tan	-	Chief Executive Officer
Gilles Bernard	-	President and Chief Operating Officer
Jerome S. Tan	-	Senior Managing Director, Global Chief Finance Officer/ICT and Treasurer
Linardo Z. Lopez	-	Senior Managing Director, Global Head of Materials Management

The following table identifies and summarizes the aggregate compensation (actual and expected) of the Company's President and CEO and the four most highly compensated officers of the Company in 2015, 2016, and 2017:

	Year	**Total**[1] (₱)
President and the four most highly compensated officers named above	2015	100.50
	2016	108.67
	2017[2]	115.12
Aggregate compensation paid to all other officers as a group unnamed	2015	606.10
	2016	621.22
	2017[2]	641.21

Notes:
(1) Includes salary, bonuses and other income.
(2) Estimated aggregate compensation expected to be paid for the Company on a consolidated basis in 2017

Compensation of Directors

Other than payment of reasonable per diem of ₱100,000 per Director for every meeting of the Board of Directors and ₱20,000 per Director for every Audit Committee and Finance Committee meeting, there are no standard arrangements pursuant to which Directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a Director for 2017.

FAMILY RELATIONSHIPS

Jaime Augusto Zobel de Ayala, Chairman of the Board of Directors, and Fernando Zobel de Ayala, a Director of the Company, are brothers. Jose Ignacio A. Carlos and Rafael Ma. C. Romualdez, both incumbent directors, are first cousins.

There are no known family relationships between the current members of the Board of Directors and key officers other than the above.

EMPLOYMENT CONTRACTS

The Company and its Subsidiaries have executed pro-forma employment contracts with its Staff and Officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

WARRANTS AND OPTIONS OUTSTANDING

The Group has an ESOWN which is a privilege extended to the Group's eligible managers and staff whereby the Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN. Under the ESOWN, for as long as the Group remains privately-owned, the subscription price of the shares granted shall be determined based on the multiples of net book value, earnings before income tax, depreciation and amortization and net income of ten (10) comparable Asian EMS companies as at the close of the calendar year prior to the grant. Once the Parent Company becomes publicly listed, the subscription price per share shall be based on market price with a discount to be determined by the Compensation Committee of the BOD of the Parent Company at the date of grant.

To subscribe, the grantee must be an eligible participant as defined in the ESOWN. However, should the grantee cease to be employed by or connected with the Group before the full payment is made for the subscribed shares, the remaining balance becomes due and demandable upon separation, except for special circumstances as provided for by the ESOWN. In such instances, the grantee/heirs may be allowed to continue paying for the balance for the duration of the original payment period. If the grantee is separated for cause, shares not fully paid will be forfeited and whatever the amount the grantee has partially paid will be returned to him with no interest, if fully paid prior to separation, the shares shall be subject to the Right to Repurchase. If the grantee separates voluntarily, fully vested but not fully paid shares may be paid for in full upon separation subject to Right to Repurchase, and payments made for subscribed shares up to the time of separation may be converted into the equivalent number of shares based on the stipulated subscription price when the shares were availed of. If the grantee separates involuntarily, shares not fully paid for, whether fully vested or not, may be paid for in full within ninety (90) days from separation subject to the Right to Repurchase, and payments made for subscribed shares up to the time of separation may be converted into the equivalent number of shares based on the stipulated subscription price.

A subscription is declared delinquent when the minimum payment required remains unpaid one (1) month after the due date. Any cash dividend of a delinquent subscription will be applied to pay the subscription due. Stock dividends paid while the subscription is delinquent will only be released to the grantee when the delinquent account is paid. If the account is still delinquent 60 days after the due date, the remaining shares are forfeited and the employee will not be eligible for future ESOWN grants.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

The following table sets forth the holders of the Company's shares as of 31 October 2017.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of outstanding Shares
Common	AC Industrial Technology Holdings, Inc[11] 33/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Ave, Makati City	AC Industrial Technology Holdings, Inc[12]	Filipino	945,537,873	50.64%
Common	Resins, Inc.[7] E. Rodriguez Ave., Pasig City	Resins, Inc.[13]	Filipino	239,412,533	12.82%
Common	EPIQ NV[8] Transportstraat 1, 3980 Tessenderlo, Belgium	EPIQ NV[9]	Belgian	200,000,000	10.71%

[11] The Chairman of AC Industrial Technology Holdings, Inc (ACI), Jaime Augusto Zobel de Ayala, is the Chairman of the Company.
[12] The Board of Directors of ACI has the power to decide how ACI's share in IMI are to be voted. Mr Jaime August Zobel de Ayala has been named and appointed to exercise the voting power.
[7]Resins is not related to the Company.
[13] The Board of Directors of Resins has the power to decide how Resins' share in IMI are to be voted. Mr Jose Ignacio A. Carlos is usually appointed to exercise the voting power
[8]EPIQ NV is a stockholder of the Company.
[9]The Board of Directors of EPIQ NV has the power to decide how EPIQ NV shares in IMI are to be voted.

Common Stockholders				
	Name of Stockholder	**Subscribed**	**Paid-up**	**Percent of Ownership**
1.	AC Industrial Technology Holdings, Inc	945,537,873	945,537,873	50.637%
2.	PCD NOMINEE CORPORATION (NON-FIL.)	243,864,824i	243,864,824	13.060%
3.	Resins Incorporated	239,412,533	239,412,533	12.821%
4.	EPIQ NV	200,000,000	200,000,000	10.711%
5.	PCD NOMINEE CORPORATION (FILIPINO)	153,425,970	153,425,970	8.216%
6.	2014 ESOWN SUBSCRIPTION	28,634,460	28,634,460	1.533%
7.	2007 ESOWN SUBSCRIPTION	20,746,813	20,746,813	1.111%
8.	2009 ESOWN SUBSCRIPTION	9,036,534	9,036,534	0.484%
9.	2015 ESOWN SUBSCRIPTION	7,489,474	7,489,474	0.401%
10.	SIIX CORP.	6,581,622	6,581,622	0.352%
11.	Joseph Pfister	1,656,660	1,656,660	0.089%
12.	Ayala Corporation	1,379,892	1,379,892	0.074%
13.	Helmut Baumgart	1,065,448	1,065,448	0.057%
14.	Richard D Bell	910,572	910,572	0.049%
15.	Meneleo J. Carlos, Jr	805,288	805,288	0.043%
16.	Lucrecio B. Mendoza	540,245	540,245	0.029%
17.	Allen B. Paniagua	357,726	357,726	0.019%
18.	Transtechnology Ptw Ltd	304,836	304,836	0.016%
19.	Alfredo Gramata Jr	258,842	258,842	0.014%
20.	Emmanuel V. Barcelon	240,000	240,000	0.013%

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

The following table illustrates the security ownership of certain record and beneficial owners (of more than 5%) as of 31 October 2017.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of outstanding Shares
Common	AC Industrial Technology Holdings, Inc[14] 33/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Ave, Makati City	AC Industrial Technology Holdings, Inc[15]	Filipino	945,537,873	50.64%
Common	Resins, Inc.[7] E. Rodriguez Ave., Pasig City	Resins, Inc.[6]	Filipino	239,412,533	12.82%
Common	EPIQ NV[8] Transportstraat 1, 3980 Tessenderlo, Belgium	EPIQ NV[9]	Belgian	200,000,000	10.71%

The following table illustrates the security ownership of directors and management as of 31 October 2017.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of All Class
Directors					
Common	Jaime Augusto Zobel de Ayala	100	Direct	Filipino	0.0000%
Common	Fernando Zobel de Ayala	100	Direct	Filipino	0.0000%
Common	Arthur R. Tan	20,173,552	Direct & indirect	Filipino	1.0804%
Common	Jose Teodoro K. Limcaoco	100	Direct	Filipino	0.0000%
Common	Edgar O. Chua	100	Direct	Filipino	0.0000%
Common	Alelie T. Funcell	115	Direct	Filipino	0.0000%
Common	Jose Ignacio A. Carlos	1	Direct	Filipino	0.0000%
Common	Delfin L. Lazaro	100	Direct	Filipino	0.0000%
Common	Rafael Ma. C. Romualdez	1	Direct	Filipino	0.0000%
Common	Hiroshi Nishimura	600,115	Direct & indirect	Japanese	0.0321%
Common	Gilles Bernard	1,280,575	Direct & indirect	French	0.0685%
CEO and Most Highly Compensated Officers					
Common	Arthur R. Tan (same as above)				
Common	Gilles Bernard (same as above)				
Common	Jerome S. Tan	3,241,033	Indirect	Singaporea n	0.1740&
Common	Linardo Z. Lopez	849,825	direct & indirect	Filipino	0.0450%
Common	Jaime G. Sanchez	112,895	direct & indirect	Filipino	0.0060%
Other Executive Officers					
Common	Solomon M. Hermosura	15	indirect	Filipino	0.0000%

[14] The Chairman of AC Industrial Technology Holdings, Inc (ACI), Jaime Augusto Zobel de Ayala, is the Chairman of the Company.
[15] The Board of Directors of ACI has the power to decide how ACI's share in IMI are to be voted. Mr Jaime August Zobel de Ayala has been named and appointed to exercise the voting power.
[7]Resins is not related to the Company.
[8]EPIQ NV is a stockholder of the Company.
[9]The Board of Directors of EPIQ NV has the power to decide how EPIQ NV shares in IMI are to be voted.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of All Class
Common	Joanne M. Lim	0	Filipino	0.0000%
ESOWN Subscriptions		**76,175,184**		**4.0800%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

The Company knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

No change of control in the Company has occurred since the beginning of its last fiscal year.

As of 31 October 2017, 20.27% of IMI's common shares were owned by the public.

CHANGE IN CONTROL

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

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 ten-month periods ended 31 October 2017 and 2016, the Group has not recorded any impairment on receivables, except for the receivable from Narra VC, relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

a. Transactions with BPI, an affiliate

As of 31 October 2017 and 31 December 2016, the Group maintains current and savings accounts with BPI amounting to $0.70 million and $0.93 million, respectively.

Total interest income earned from investments with BPI amounted to $0.61 million and $0.28 million for the quarters ended 31 October 2017 and 2016, respectively.

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

	Receivables/Deposits		Payables	
	31 Oct , 201' (Unaudited)	31 Dec 2016 (Audited)	**31 Oct 2017 (Unaudited)**	31 Dec 2016 (Audited)
AC Energy Holdings, Inc. (ACEHI)	**$146**	$483	**$–**	$–
AC	–	–	**–**	584
Globe Telecom, Inc. (GTI)	–	–	**–**	6
	$146	$483	**$–**	$590

i. Transaction with ACEHI represents deposit required by the distribution utility (DU) in a form of cash in accordance with the distribution wheeling services agreement between ACEHI and the DU, to be returned to the Parent Company at the end of the contract term.

ii. Payables to AC are nontrade in nature and pertain to transaction costs paid in advance in relation to VIA acquisition. This was fully settled in the first quarter of 2017.

iii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

c. Outstanding balances of transactions with subsidiaries from the Parent Company's point of view follow:

	Receivables		Payables	
	31 Oct 2017 (Unaudted)	31 Dec 2016 (Audited)	**31 Oct 2017 (Unaudited)**	31 Dec 2016 (Audited)
IMI EU/MX Subsidiaries	**$40,255**	$24,100	**$515**	$9
Psi	**26,262**	16,722	**102**	99
STI	**2,275**	–	–	–
IMI Japan	**989**	993	**505**	604
STEL	**379**	191	**1,987**	1,449
IMI USA	**254**	262	**318**	371
IMI ROHQ	**7**	25	**290**	780
IMI Singapore	**347**	1,465	**–**	58
	$70,768	$43,758	**$3,717**	$3,370

The outstanding balances are eliminated upon consolidation.

i. Receivables from IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI Japan, IMI USA and STEL are nontrade in nature and pertain to operating cash advances made by the Parent Company. These are noninterest-bearing and are due on demand.

   Advances to PSi and IMI EU/MX Subsidiaries have term ranging from 90 to 360 days subject to interest rates ranging from1.94% to 2.90% in 2017 and 1.00%% to 2.88% in 2016.

   Receivables from IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company's retirement plan upon availment. The retirement expense is being included in the service fees billed by ROHQ to the Parent Company.

   Payables to STEL 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.

   STEL Singapore also has advances to other IMI subsidiaries which bears interest ranging from 2.00% to 3.97% in 2016 and 2.28% to 3.19% in 2016.

ii. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as an administrative, communications and coordinating center for its affiliates. These advances are noninterest-bearing and are payable on demand.

iii. Payables to IMI Japan and IMI USA are nontrade in nature and pertain to administrative expenses paid by the Parent Company on their behalf.

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

	Revenue/Income		Expenses	
	21 Oct 2017	30 Oct 2016	**31 Oct 2017**	30 Oct 2016
BPI	**$6**	$2	**$–**	$–
ACEHI	**–**	–	**4,498**	–
Direct Power Services Inc. (DPSI)	**–**	–	**2,529**	–
Technopark Land, Inc (TLI)	**–**	–	**860**	877
AC	**–**	–	**87**	–
GTI	**–**	–	**68**	67
Innove Communication, Inc. (ICI)	**–**	–	**45**	82
Ayala Group Legal (AG Legal)	**–**	–	**38**	84
	$6	$2	**$8,125**	$1,110

Revenue/income from its affiliates pertains 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. Light and power allocation charged by DPSI to PSi.

ii. Light and power allocation charged by ACEHI to the Parent Company.

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

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

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

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

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

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

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

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

Compensation of Key Management Personnel of the Group

Compensation of key management personnel by benefit type follows:

	2017	2016
Short-term employee benefits	**$6,948**	$6,617
Post-employment benefits	**245**	234
Share-based payments	**256**	536
	$7,449	$7,387

DESCRIPTION OF THE SHARES

The shares to be offered shall be Common Shares of the Company.

The authorized capital stock of the Company is ₱2,450,000,000, divided into 2,250,000,000 Common Shares, with par value of ₱1.00 per Common Share and 200,000,000 Preferred Shares, with par value of ₱1.00 per Preferred Share.

The Offer Shares shall be offered at a price of ₱14.28 per Offer Share. The determination of the Offer Price is further discussed on page 56 of this Prospectus. A total of 2,217,293,215 Common Shares will be outstanding after the Offer. The Offer Shares will comprise 15.79% of the outstanding Common Shares after the Offer.

Objectives and Purposes

The Company has been organized primarily to undertake the production and manufacture of any and all types of electronic products, and provide services thereto. It is authorized to, whether directly or indirectly through its subsidiaries, affiliate organizations, or correspondent enterprises to:

a) Purchase, import, fabricate, manufacture, lease or in any other manner, acquire machines and equipment for the processing, manufacture, production and/or packaging of the products and commodities abovementioned;

b) Purchase, import, process or in any other manner acquire all or any raw materials and supplies, and whatever inputs are needed for the production of the aforesaid products and commodities;

c) Purchase or otherwise acquire, sell, lease, manage, control and/or operate factories, buildings, and other structures together with the real estate necessary therefore, or which may be useful or proper to the operations of the Company;

d) Engage the services of technicians, professionals, employees, agents and/or consultants as may be desired or needed in the conduct of company operations and affairs, particularly in the day-to-day operations and production, and in the servicing of electronic products;

e) Dispose of, deal in, trade, distribute, sell, export, lease or in any manner, market, wholesale all or any of its products described;

f) Provide specialized technical and professional services in the field of electronics, whether or not pertaining to the products of the Company;

g) Conduct researches, studies, investigations, tests directly by itself, or indirectly by funding and in any other manner, supporting the same, in the field of electronics, including matters related thereto such as but not limited to appropriate production systems and methods, and towards the attainment of new and/or improved electronic products;

h) Provide to other business enterprises, for or without consideration, technical managerial and other knowledge, advice, information and services, from the pool of knowledge and experience gained from its day-to-day operations or through specific research/study undertaken by it.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Subject to the approval by the Philippine SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the Common Shares currently issued by the Company have a par value of ₱1.00 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has Unrestricted Retained Earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below), and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Voting Rights

The Company's Shares have full voting rights. However, the Philippine Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights

Under the Philippine Corporation Code, dividends may be paid out of the Unrestricted Retained Earnings of the Company as and when the Board of Directors may elect, subject to legal requirements. The Unrestricted Retained Earnings represent the undistributed earnings of the Company which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. Dividends are payable to all shareholders on the basis of outstanding shares of the Company held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to shareholders whose name are recorded in the stock and transfer book as of the record date fixed by the Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

See "Dividends and Dividend Policy" beginning on page 53 of this Prospectus.

Pre-Emptive Rights

The Philippine Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The articles of incorporation of the Company deny the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Philippine Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class,

the extension of the term of corporate existence,

the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation,

a merger or consolidation, and

investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Right to Inspect Corporate Books and Records

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of a Philippine corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business conducted, and its property controlled by the Board. Pursuant to its articles of incorporation, as amended, the Company shall have 11 Directors, three of whom are independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy.

Under Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. Directors may only act collectively, individual directors have no power as such. Six directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Any vacancy created by the death, resignation or removal of a director prior to expiration of such director's term shall be filled by a vote of at least a majority of the remaining members of the Board, if still constituting a quorum, Otherwise, the vacancy must be filled by the shareholders at a meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Company provide for annual meetings on any date of April of each year to be held at the principal office of the Company and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either a majority of the Board of Directors or at the request of shareholders representing one-third of the subscribed capital.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date, and time of the meeting, and the purpose or purposes for which the meeting is called. The Company's By-laws provide that notices of the time and place of the annual and special meetings of the shareholders shall be given either by mailing the same, addressed to each shareholder of record at the address left by such shareholder with the Secretary of the Company, by delivering the same to him in person, or by sending electronically or by e-mail to each shareholder who have consented to receive notices, information, or documents in such form at least 15 business days before the date set for such meeting. Notice to any special meeting must state, among others, the matters to be taken up in the said meeting, and no other business shall be transacted at such meeting except by consent of all the shareholders present, entitled to vote. No notice of meeting need be published in any newspaper, except when necessary to comply with the special requirements of the Philippine Corporation Code. Shareholders entitled to vote may, by written consent, waive notice of the time, place, and purpose of any meeting of shareholders and any action taken at such meeting pursuant to such waiver shall be valid and binding. When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by an existing shareholders' agreement or by law, in all regular or special meeting of shareholders, a majority of the outstanding capital shares must be present or represented in order to constitute a quorum, except in those cases where the Philippine Corporation Code provides a greater percentage vis-à-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Pursuant to the Company's By-laws, the chairman of the board, or in case of his absence or disability, the vice chairman of the board, may then call to order any meeting of the shareholders, and proceed to the transaction of business, provided a majority of the shares issued and outstanding be present, either in person or by proxy, but if there be no quorum present at any meeting, the meeting may be adjourned by the shareholders present from time to time until the quorum shall be obtained. If neither the chairman nor the vice chairman of the board is present, then the meeting is to be conducted by the president, and in case the latter is also absent, by the senior director or by the oldest director, if several became directors on the same date.

Voting

At all meetings of shareholders, a holder of Common Shares may vote in person or by proxy, for each share held by such shareholder.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary before or during the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Proxies should comply with the relevant provisions of the Philippine Corporation Code, the SRC, the IRRs, and Philippine SEC Memorandum Circular No. 5 (series of 1996) issued by the Philippine SEC.

Dividends

The Common Shares have full dividend rights. Dividends on the Company's Common Shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of Common Shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Fixing Record Dates

Under existing Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 or more than 30 days from the date of declaration. With respect to share dividends, the record date shall not be less than 10 or more than 30 days from the date of shareholder approval, provided, however, that the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of share dividends. In the event that share dividends are declared in connection with an increase in the authorized capital shares, the corresponding record date shall be fixed by the Philippine SEC.

Transfer of Shares and Share Register

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company. See "The Philippine Stock Market" beginning on page 145 of this Prospectus.

Philippine law does not require transfers of the Common Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. See "Philippine Taxation" beginning on page 151 of this Prospectus. All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

There are no existing provisions in the Company's amended articles of incorporation or the amended by-laws which will delay, defer, or in any manner prevent a change in control of the Company.

Issues of Shares

Subject to otherwise applicable limitations, the Company may issue additional Common Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Common Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Common Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Share Certificates

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's share transfer agent, BPI Stock Transfer Office, which will maintain the share register. Common Shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Market" beginning on page 145 of this Prospectus.

Mandatory Tender Offers

In general, under the SRC and the IRRs, any person or group of persons acting in concert and intending to acquire at least (1) 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months, or (2) 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders, or (3) if any acquisition would result in ownership by the acquiring party of over 50% of the total outstanding equity of a public company, is required to make a tender offer to all the shareholders of the target corporation on the same terms. Generally, in the event that the securities tendered pursuant to such an offer exceed that which the acquiring person or group of persons is willing to take up, the securities shall be purchased from each tendering shareholder on a pro rata basis, disregarding fractions, according to the number of securities tendered by each security holder. Where a mandatory tender offer is required, the acquirer is compelled to offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition would result in ownership of over 51% of the total outstanding equity, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

No Mandatory Tender Offer is required in: (i) purchases of shares from unissued capital shares unless it will result to a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the board, (ii) purchases from an increase in the authorized capital shares of the target company, (iii) purchases in connection with a foreclosure proceedings involving a pledge or security where the acquisition is made by the debtor or creditor, (iv) purchases in connection with privatization undertaken by the government of the Philippines, (v) purchases in connection with corporate rehabilitation under court supervision, (vi) purchases through an open market at the prevailing market price, or (vii) purchases resulting from a merger or consolidation.

Fundamental Matters

The Philippine Corporation Code provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation in a meeting duly called for the purpose:

amendment of the articles of incorporation,

removal of directors,

sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of the corporation,

investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized,

declaration or issuance of share dividends,

delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws,

merger or consolidation,

dissolution,

an increase or decrease in capital shares,

ratification of a contract of a directors or officer with the corporation,

extension or shortening of the corporate term,

creation or increase of bonded indebtedness, and

management contracts with related parties,

The approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the Philippine SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

MARKET PRICE OF THE COMPANY'S STOCK AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's Common Shares are traded on the PSE under the symbol "IMI". The following table sets out, for the periods indicated, the high and low sales prices for the Company's Common Shares, as reported on the PSE:

		High (in ₱)	**Low** (in ₱)
2015			
	First quarter	7.00	5.39
	Second quarter	6.57	5.75
	Third quarter	6.14	5.16
	Fourth quarter	6.23	5.61
2016			
	First quarter	5.91	4.85
	Second quarter	6.00	5.40
	Third quarter	7.40	5.54
	Fourth quarter	6.23	5.79
2017			
	First quarter	7.41	6.05
	Second quarter	13.70	7.61
	Third quarter	19.60	11.88
	Fourth quarter	22.30	17.18

On 6 February 2018, the closing price of IMI's Common Shares on the PSE was ₱19.98 per Common Share.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company and the Underwriter, or any of their respective subsidiaries, affiliates or advisors in connection with the Offer.

The Exchange

The PSE is the only stock exchange in the Philippines. It is one of the oldest stock exchanges in Asia, having been in continuous operation since the establishment of the Manila Stock Exchange in 1927. It currently maintains two trading floors, one at the PSE Centre (Tektite), Ortigas Center in Pasig City, and another at its principal office at the Ayala Tower One in Makati City's Central Business District.

Trading in the PSE is a continuous session from 9:30AM to 3:30PM daily with a recess from 12:00PM to 1:30PM.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the SEC granted the PSE a "Self-Regulatory Organization" (SRO) status, which meant that the bourse can implement its own rules and establish penalties on erring trading participants and listed companies. In 2011, Capital Market Integrity Corporation ("CMIC") was incorporated to function as the independent audit, surveillance and compliance arm of PSE. The mandate of CMIC is to ensure that trading participants adhere to all pertinent rules, regulations, and code of conduct of CMIC and PSE, as well as all related legislative and regulatory requirements.

In 2001, one year after the enactment of the SRC, the PSE was transformed from a non-profit, non-stock, member-governed organization into a shareholder-based, revenue-earning corporation headed by a president and a board of directors. The PSE eventually listed its own shares on the exchange (traded under the ticker symbol PSE) by way of introduction on 15 December 2003.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated 6 June 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The main index for PSE is the PSEi, which is a capitalization-weighted index composed of stocks representative of the Industrial, Properties, Services, Holding Firms, Financial and Mining & Oil Sectors of the PSE. It measures the relative changes in the free float-adjusted market capitalization of the 30 largest and most active common stocks listed at the PSE. The selection of companies in the PSEi is based on a specific set of public float, liquidity and market capitalization criteria. There are also six sector-based indices as well as a broader all shares index

The table below sets out movements in the composite index from 1995 to 30 September 2017, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.9
1997	1,869.2	221	1,261.3	588.0
1998	1,968.8	221	1,373.7	378.9
1999	2,142.9	223	1,936.5	668.8
2000	1,494.5	226	2,576.5	58.61
2001	1,168.1	228	2,143.3	407.2
2002	1,014.4	232	2,083.2	780.9
2003	1,442.4	235	2,973.8	357.6
2004	1,822.8	236	4,766.2	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	240	4,277.8	1,145.3
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	268	10,850	1,420
2013	5,889.8	257	11,931.3	2,546.3
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	216	13,465.1	2,172.5
2016	7,796.2	264	15,253.5	1,296.6
As of 30 September 2017	8,171.43	268	17,611.3	914.4

Source: Philippine Stock Exchange, Inc.

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Beginning 2 January 2012, trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one and a half hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., including a 10-minute period during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three Business Days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Inward foreign investments in PSE-listed securities are registered with the investor's designated custodian bank on behalf of the BSP. Under BSP rules, all registered foreign investments in securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

Settlement – In General

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on 17 January 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE,

- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund, and

- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the five existing Settlement Banks of SCCP, which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, and Unionbank of the Philippines. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system on 29 May 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, and Unionbank of the Philippines, The The Hong Kong and Shanghai Banking Corporation, Maybank Philippines, Inc. and Asia United Bank Corporation. For DDS, only BDO Unibank, Inc. is appointed as settlement bank.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC Participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC System, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC System. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC System. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities. In respect of DDS, the foregoing is subject to the PSE DDS Rules. Moreover, please see discussion under "Eligible Shareholders" on page **Error! Bookmark not defined.** under "Summary of the Rights Offer".

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On 24 June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rule on Lodgment of Securities of the PSE.

Pursuant to the said amendment, the PDTC issued implementing procedural rules:

> For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
>
> On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Under the amended rules on minimum public ownership promulgated by the PSE and approved by the SEC, listed companies are required at all times to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage as may be prescribed by the PSE. The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) purpose of investment; and (c) extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

On 31 May 2017, the SEC issued the draft rules and regulations proposing to increase the public float of publicly listed companies, for public comment.

Under the proposal, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. On the other hand, companies with existing registration statements filed with the SEC and whose shares are listed and traded in an exchange shall increase their public float to at least 15% on or before the end of 2018, to be further increased to 20% on or before the end of 2020. The requirement of minimum public ownership shall also form part of the requirement for the registration of securities. Non-compliance with these requirements shall subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. The following discussion is based on the laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect as of the date of this Prospectus and is subject to any changes in law or regulation occurring after such date, which changes can be made on a retroactive basis. The following discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Common Shares.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

As used herein, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines. A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

Corporate Income Tax

A domestic corporation is subject to a tax of 30% of its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except, among other things, (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Furthermore, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation, which suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax at 20% of the gross amount, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to withholding tax at the rate of 30%.

The 30% final withholding tax rate for inter-corporate cash and/or property dividends paid by a domestic corporation to a non-resident foreign corporation may be reduced depending on the country of domicile of the non-resident foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate, generally 25% depending on the provisions of the corresponding tax treaties. On the other hand, a country without a tax treaty may be reduced to 15% if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 15% for taxes deemed to have been paid in the Philippines.

Stock dividends distributed pro rata to any holder of shares of stock are not subject to Philippine income tax. However, if the proportionate interests of the stockholders are changed, dividends received are taxable as ordinary income in the year paid or accrued. The sale, exchange or disposition of shares received as stock dividends by the holder is subject to either the capital gains or stock transaction tax.

Philippine tax authorities have prescribed certain procedures, through an administrative issuance, for availment of tax treaty relief. The company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the company with a duly accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form before the dividends is paid or credited. Proof of legal domicile or residence for an individual consists of certification from his embassy, consulate, or other equivalent certifications issued by the proper government authority, or any other official document proving residence.

If the regular tax rate is withheld by the company instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Taxation on Sale, Exchange or Disposition of Shares

Capital gains tax

Pursuant to the Republic Act No. 10963 (the Tax Reform for Acceleration and Inclusion Act or “TRAIN”), net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning 1 January 2018. Net capital gains realized by resident and nonresident foreign corporations during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on gains over ₱100,000.00.

Gains from the sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities in order to obtain such exemption under a tax treaty. A prospective investor should consult its own tax adviser with respect to the applicable rates under the relevant tax treaty.

The transfer of shares shall not be recorded in the books of the company unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the international tax affairs division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on transfer of shares listed and traded at the local stock exchange

Beginning 1 January 2018, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

On 7 November 2012, the BIR issued Revenue Regulations no. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership requirement after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

On 31 December 2012, the PSE began imposing a trading suspension for a period of not more than six months, on shares of a listed company that has not complied with the rule on minimum public ownership which requires listed companies to maintain a minimum percentage of listed securities held by the public at ten percent of the listed companies' issued and outstanding shares at all times. Companies which do not comply with the minimum public ownership requirement after the lapse of the trading suspension shall be automatically delisted. The sale of such listed company's shares during the trading suspension or such delisted company may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under section 100 of the Tax Code.

Documentary Stamp Tax

Beginning 1 January 2018, the original issue of shares is subject to documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax.

Estate and Gift Taxes

Beginning 1 January 2018, the transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine tax at the rate or 6% based on the value of the decedent’s net estate.

Moreover, beginning 1 January 2018, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of shares at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the deceased at the time of his death or the donor at the time of his donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes, each as described above.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE ELIGIBLE SUBSCRIBER TO THE RIGHTS SHARES SHOULD OBTAIN INDEPENDENT TAX ADVICE AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH SUBSCRIBER OF PURCHASING, OWNING AND DISPOSING OF THE RIGHTS SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Rights Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such Shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however subjects foreign exchange dealers, money changers and remittance agents to Republic Act No. 9160, or the Anti-Money Laundering Act of 2001, as amended, and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a universal bank, commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) a purchase invoice, subscription agreement and/or proof of listing on the PSE (for new/additional issues/stock rights); (ii) the original Certificate of Inward Remittance of foreign exchange and its conversion to Pesos through an authorized agent bank of the BSP in the format prescribed by the BSP; and (iii) Authority to Disclose in the prescribed format.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriated or remitted immediately and in full with foreign exchange sourced from the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document (“”BSRD”) or BSRD Letter-Advice from the registering custodian bank and the broker’s sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (i) the BSRD or BSRD Letter-Advice from the registering custodian bank; (ii) the cash dividends notice from the PSE and the PCD printout of cash dividend payment or computation of interest earned; (iii) copy of the corporate secretary’s sworn statement on the Board Resolution covering the dividend declaration and (iv) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor’s custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, and with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Rights Shares shall be the responsibility of the foreign investor.

Foreign Ownership Controls

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them the ownership of private land.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 4 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

RA 7042, as amended, otherwise known as the Foreign Investments Act of 1991 and the Negative List issued pursuant thereto, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of RA 7042 defines a "Philippine National" as:

a citizen of the Philippines,

a domestic partnership or association wholly-owned by citizens of the Philippines,

a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of the Philippine Nationals,

a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, and

a corporation organized abroad and registered as doing business in the Philippines under the Philippine Corporation Code of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

The Company does not currently own real estate. However, if the Company acquires real estate in the future, it would be subject to nationality restrictions found under the Philippine Constitution and other laws limiting land ownership to Philippine Nationals.

As of the date of this Prospectus, approximately 88% of the total outstanding capital stock of the Company is held by Philippine Nationals. Immediately after the completion of the Offer, foreign equity shall not exceed 40.0% of the Company's total outstanding capital stock.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer shall be passed upon by Romulo Mabanta Buenaventura Sayoc & de los Angeles, for the Underwriter, and Ayala Group Legal for the Company. Matters relating to the permits and licenses of the Company shall be passed upon by Gatmaytan Yap Patacsil Gutierrez & Protacio. Certain legal matters as to United States federal and New York law relating to the Offer will be passed upon by Latham & Watkins, legal counsel to the Underwriter.

The legal counsels will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as of and for the years ended 31 December 2016, 2015, and 2014 were audited by SGV & Co., a member firm of Ernst & Young Global Limited, independent auditors, in accordance with PSA, as stated in their report appearing herein. SGV & Co. was also engaged by the Company to review its interim condensed consolidated financial statements in connection with the statutory and regulatory filings or engagements for the ten months ended 31 October 2017.

SGV & Co. has acted as the Company's external auditor since 2012. Mr. Carlo Paolo V. Manalang is the current audit partner while Mr. Arnel F. de Jesus served the Company for the years ended 31 December 2014 to 2016. SGV & Co. was also engaged by the Company to review its interim condensed consolidated financial statements in connection with the statutory and regulatory filings or engagements for the ten months ended 31 October 2017.

SGV & Co. has acted as the Company's external auditor with Mr. Arnel F. de Jesus as the audit partner since audit year 2014 to present. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for the current year and each of the last two years for professional services rendered by SGV & Co., excluding fees directly related to the Offer.

	2017	2016	2015
Audit and Audit-Related Fees[a]	9.55[c]	3.70	3.60
All Other Fees[b]	3.20	0.42	0.80
Total	12.75	4.12	4.40

In ₱ Millions

a. *Audit and Audit-Related Fees. This category includes the audit of annual financial statements and review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work.*
b. *All Other Fees. This category includes other services rendered by SGV & Co. such as financial and accounting advisory, financial reporting valuation reviews, assessment of compliance with the Data Privacy Act, tax advisory and transfer pricing studies.*
c. *Includes billed fees for the interim review engagement of the Company's 31 October 2017 and 2016 interim condensed consolidated financial statements.*

In relation to the audit of the Company's annual financial statements, the Company's Revised Manual of Corporate Governance submitted to the SEC on 30 May 2017 in compliance with SEC Memorandum Circular No. 13, series of 2016, provides that the Audit Committee shall, among other activities, (i) provide oversight of the Corporation's internal and external auditors; (ii) pre-approve all audit plans, scope and frequency before the conduct of external audit; (iii) Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed; (iv) Ensure that Management formulates accounting/reporting processes and practices in accordance with International/Philippine Financial Reporting Standards; (v) Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies; (vi) Review the quarterly, half-year and annual financial statements before submission to the Board, focus in on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirement; (vii) Recommend and review the appointment of external auditors and their remuneration; and (viii) Review and approve the proportion of audit versus Non-Audit work both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor.

INDEX TO AUDITED FINANCIAL STATEMENTS

The following pages set forth the Company's financial information as of 31 December 2016 and 2015 and for the years ended 31 December 2016, 2015, and 2014 (audited), and as of 31 October 2017 and for the ten months ended 31 October 2017 and 2016 (unaudited).

Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark,
Biñan, Laguna
Philippines

SOLE ISSUE MANAGER, BOOKRUNNER AND UNDERWRITER

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INDEPENDENT AUDITOR

SyCip Gorres Velayo & Company
(a member firm of Ernst & Young Global Limited)
6760 Ayala Avenue
Makati City 1226
Philippines

Attachments that follows

1. October interim financials
2. 2016 Audited Financial Statements

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
AS OF OCTOBER 31, 2017
(With Comparative Audited Figures as of December 31, 2016)
(In thousands)

	(Unaudited) Oct 31, 2017	(As Restated - Note 2) Dec 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$67,559**	$86,549
Receivables - net (Note 5)	**259,792**	198,203
Inventories (Note 6)	**181,304**	106,132
Other current assets (Note 7)	**27,021**	16,091
Total Current Assets	**535,676**	406,975
Noncurrent Assets		
Property, plant and equipment - net (Note 8)	**155,818**	117,405
Goodwill (Notes 2 and 17)	**142,871**	91,416
Intangible assets - net (Note 9)	**21,928**	18,317
Available-for-sale financial assets (Note 19)	**758**	741
Deferred tax assets	**1,033**	1,552
Other noncurrent assets	**2,044**	2,722
Total Noncurrent Assets	**324,452**	232,153
	$860,128	$639,128

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**$275,841**	$195,676
Loans and trust receipts payable (Note 11)	**123,261**	51,445
Financial liabilities (Notes 2 and 13)	**26,356**	11,334
Current portion of long-term debt (Note 12)	**6,442**	8,185
Income tax payable	**4,564**	3,451
Total Current Liabilities	**436,464**	270,091
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 12 and 19)	**136,646**	121,144
Contingent consideration (Notes 2 and 13)	**24,570**	–
Advances from customers	**995**	1,138
Net retirement liabilities	**3,848**	4,092
Deferred tax liabilities	**2,777**	3,035
Accrued rent	**85**	85
Other noncurrent liabilities	**971**	216
Total Noncurrent Liabilities	**169,892**	129,710
Total Liabilities	**606,356**	399,801

(Forward)

	(Unaudited) Oct 31, 2017	(As Restated - Note 2) Dec 31, 2016
EQUITY (Note 14)		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$35,554**	$34,936
Subscribed capital stock	**1,214**	1,857
Additional paid-in capital	**58,131**	70,928
Subscriptions receivable	**(10,058)**	(12,335)
Unappropriated retained earnings	**181,260**	168,932
Treasury stock	**(1,013)**	(1,013)
Reserve for fluctuation on available-for-sale financial assets	**413**	369
Cumulative translation adjustment	**(9,019)**	(20,640)
Other comprehensive loss	**(6,428)**	(6,428)
	250,054	236,606
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**3,718**	2,721
Total Equity	**253,772**	239,327
	$860,128	$639,128

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE TEN MONTHS ENDED OCTOBER 31, 2017 AND 2016
(In thousands, except Earnings per Share)

	Unaudited 2017 Jan to Oct	Unaudited 2016 Jan to Oct
REVENUES		
Sale of goods	**$835,933**	$635,092
Sale of services	**53,907**	55,001
	889,840	690,093
COST OF GOODS SOLD AND SERVICES		
Cost of goods sold	**738,664**	561,290
Cost of services	**50,355**	49,168
	789,019	610,458
GROSS PROFIT	**$100,821**	79,635
OPERATING EXPENSES (Note 15)	**(71,858)**	(43,580)
OTHERS - Net		
Interest and bank charges	**(6,164)**	(2,843)
Foreign exchange gains (losses)	**1,479**	(2,129)
Interest income	**264**	210
Miscellaneous income (expense) - net	**2,231**	(137)
INCOME BEFORE INCOME TAX	**$26,773**	31,156
PROVISION FOR INCOME TAX	**(5,832)**	(5,393)
NET INCOME	**$20,941**	$25,763
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	**$20,762**	$25,768
Non-controlling interests	**179**	(5)
	$20,941	$25,763
Earnings Per Share:		
Basic and diluted (Note 16)	**$0.011**	$0.014

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE TEN MONTHS ENDED OCTOBER 31, 2017 AND 2016

(In thousands)

	Unaudited 2017 Jan to Oct	Unaudited 2016 Jan to Oct
NET INCOME FOR THE PERIOD	**$20,941**	$25,763
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	**11,621**	(1,193)
Fair value changes on available-for-sale financial assets	**44**	61
	11,665	(1,132)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:		
Remeasurement gains on defined benefit plans	**–**	57
	11,665	(1,075)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**$32,606**	$24,688
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	**$32,427**	$24,693
Non-controlling interests	**179**	(5)
	$32,606	$24,688

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE TEN MONTHS ENDED OCTOBER 31, 2017, AND 2016

(In thousands)

	Attributable to Equity Holders of the Parent Company										
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings Unappropriated	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Other Comprehensive Loss	Attributable to Non-controlling Interests	Total
Balances at January 1, 2017	**$34,936**	**$1,857**	**$70,928**	**($12,335)**	**$168,932**	**($1,013)**	**$369**	**($20,640)**	**($6,428)**	**$2,721**	**$239,327**
Issued shares during the period	**618**	**(618)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of share-based payments	**–**	**–**	**256**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**256**
Collections on subscriptions	**–**	**–**	**–**	**2,076**	**–**	**–**	**–**	**–**	**–**	**–**	**2,076**
Forfeitures during the period	**–**	**(25)**	**(176)**	**201**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effect of recognition of financial liability arising from put options on business combination (Note 14)	**–**	**–**	**(12,877)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,877)**
Increase in non-controlling interest due to the acquisition of a subsidiary during the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**818**	**818**
Cash dividends (Note 14)	**–**	**–**	**–**	**–**	**(8,434)**	**–**	**–**	**–**	**–**	**–**	**(8,434)**
	35,554	**1,214**	**58,131**	**(10,058)**	**160,498**	**(1,013)**	**369**	**(20,640)**	**(6,428)**	**3,539**	**221,166**
Net income	**–**	**–**	**–**	**–**	**20,762**	**–**	**–**	**–**	**–**	**179**	**20,941**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**44**	**11,621**	**–**	**–**	**11,665**
Total comprehensive income	**–**	**–**	**–**	**–**	**20,762**	**–**	**44**	**11,621**	**–**	**179**	**32,606**
Balances at October 31, 2017	**$35,554**	**$1,214**	**$58,131**	**($10,058)**	**$181,260**	**($1,013)**	**$413**	**($9,019)**	**($6,428)**	**$3,718**	**$253,772**

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	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
Share Issued during the year	2	(2)	–	–	–	–	–	–	–	–	–	–
Cost of share-based payments	–	–	696	–	–	–	–	–	–	–	–	696
Forfeitures during the period	–	(45)	(257)	302	–	–	–	–	–	–	–	–
Collections on subscriptions	–	–	–	459	–	–	–	–	–	–	–	459
Effect of recognition of financial liability arising from put options on business combination (Note 14)	–	–	(12,058)	–	–	–	–	–	–	–	–	(12,058)
Increase in non-controlling interest due to acquisition of subsidiary (Note 2)	–	–	–	–	–	–	–	–	–	–	3,137	3,137
Cash dividends (Note 14)	–	–	–	–	(8,621)	–	–	–	–	–	–	(8,621)
	34,936	1,861	70,909	(12,371)	140,816	(1,013)	251	(16,545)	(6,296)	171	3,332	216,051
Net income (loss)	–	–	–	–	25,768	–	–	–	–	–	(5)	25,763
Other comprehensive income	–	–	–	–	–	–	61	(1,193)	57	–	–	(1,075)
Total comprehensive income (loss)	–	–	–	–	25,768	–	61	(1,193)	57	–	(5)	24,688
Balances at October 31, 2016	$34,936	$1,861	$70,909	($12,371)	$166,584	($1,013)	$312	($17,738)	($6,239)	$171	$3,327	$240,739

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TEN MONTHS ENDED OCTOBER 31, 2017 AND 2016

(In thousands)

	Unaudited 2017 Jan to Oct	Unaudited 2016 Jan to Oct
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$26,773**	$31,156
Adjustments for:		
Depreciation of property, plant and equipment (Note 8)	**21,228**	20,072
Interest expense	**6,164**	2,843
Amortization of intangible assets (Note 9)	**3,576**	1,770
Unrealized foreign exchange losses - net	**1,339**	(139)
Impairment loss (Note 9)	**525**	–
Cost of share-based payments	**256**	696
Gains on sale of property, plant and equipment	**(613)**	(83)
Mark-to-market gains on derivatives	**(218)**	–
Interest income	**(264)**	(210)
Operating income before working capital changes	**58,766**	56,105
Changes in operating assets and liabilities:		
Increase in:		
Loans and receivables	**(56,380)**	(24,470)
Inventories	**(56,764)**	(21,994)
Other current assets	**(7,194)**	(1,615)
Increase (decrease) in:		
Accounts payable and accrued expenses	**59,561**	29,336
Advances from third party	**6,615**	6,539
Retirement liabilities and other long-term benefits	**(316)**	(802)
Advances from customers	**(143)**	127
Accrued rent	–	(356)
Net cash generated from operations	**4,145**	42,870
Interest received	**264**	223
Interest paid	**(5,269)**	(2,955)
Income tax paid	**(5,307)**	(4,469)
Net cash provided by (used in) operating activities	**(6,167)**	35,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment (Note 8)	**(48,886)**	(42,127)
Intangible assets (Note 9)	**(3,275)**	(1,943)
Capitalized development costs (Note 9)	**(4,623)**	(4,739)
Acquisition through business combination, net of cash acquired (Note 2)	**(25,704)**	(46,879)
Proceeds from sale of property, plant and equipment	**2,277**	317
Decrease in other noncurrent assets	**677**	342
Net cash used in investing activities	**(79,534)**	(95,029)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans	**96,688**	157,060
Payment of loans	**(28,196)**	(75,244)
Dividends paid to equity holders of the Parent Company (Note 14)	**(8,434)**	(8,621)
Collections of subscriptions receivable	**2,076**	459
Net cash provided by financing activities	**62,134**	73,654
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**4,577**	(343)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(18,990)**	13,951
CASH AND CASH EQUIVALENTS AT JANUARY 1	**86,549**	101,532
CASH AND CASH EQUIVALENTS AT OCTOBER 31	**$67,559**	$115,483

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporation Information and Basis of Financial Statement Preparation**

Integrated Micro-Electronics, Inc. (the "Parent Company"), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the "Group"). The Parent Company is 50.64% owned by AYC Holdings, Ltd. (AYC), a corporation incorporated in the British Virgin Islands and a wholly-owned subsidiary of AC International Finance Ltd. under the umbrella of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 49.01% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is North Science Avenue, Laguna, Technopark, Biñan, Laguna.

On March 29, 2017, AYC, IMI's parent company, transferred its 50.6% ownership in the company to AC Industrial Technology Holdings, Inc. ("AC Industrials"), also a wholly-owned subsidiary of AC, through a special block sale of IMI shares on March 29, 2017 as approved by the PSE on March 29, 2017. This transaction was granted exemptive relief from the application of the mandatory tender offer rules by the Securities and Exchange Commission on March 21, 2017.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010. It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of printed circuit board assemblies (PCBA), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems. It also provides the following solutions: product design and development, test and systems development, automation, advanced manufacturing engineering, and power module assembly, among others. It serves diversified markets that include those in the automotive, industrial, medical, storage device, and consumer electronics industries.

The accompanying unaudited interim condensed consolidated financial statements as of and for the ten months periods ended October 31, 2017 and 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 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, 2016, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries collectively referred to as the "Group".

The Group's unaudited interim condensed consolidated financial statements were prepared for inclusion in a prospectus in relation to a planned capital raising activity.

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) investments and financial liabilities arising from the put options and contingent consideration and derivative liability that have been measured at fair value. 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 preparation of the financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2016.

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on December 7, 2017.

2. Group Information

<u>Information about Subsidiaries</u>
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
	2017	2016		
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	**100.00%**	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	**100.00%**	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE)	**100.00%**	100.00%	China	USD
IMI Technology (Shenzhen) Co. Ltd. [a]	**100.00%**	–	China	USD
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Chong Qing) Co. Ltd. (STCQ) [b]	**100.00%**	100.00%	China	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	USD
Speedy-Tech (Philippines), Inc. (STPH) [c]	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	USA	USD
Monarch Elite Ltd. (Monarch) [d]	**100.00%**	100.00%	Hong Kong	USD
Cooperatief IMI Europe U.A. [e]	**100.00%**	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD [f]	**100.00%**	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	**100.00%**	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš	**100.00%**	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	**100.00%**	100.00%	Czech Republic	Czech Koruna (CZK)
IMI Display s.r.o. [g]	**100.00%**	–	Czech Republic	Czech Koruna (CZK)
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. [h]	**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
VIA Optronics GmbH (VIA)	**76.01%**	76.01%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**76.01%**	76.01%	China	RMB
VIA Optronics LLC (VIA LLC)	**76.01%**	76.01%	USA	USD
Integrated Micro-Electronics UK Limited (IMI UK)	**100.00%**	–	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	**80.00%**	–	United Kingdom	GBP
STI Poynton Limited	**80.00%**	–	United Kingdom	GBP
STI Philippines Inc.	**79.92%**	–	Philippines	PHP

(Forward)

Subsidiary	Percentage of Ownership 2017	2016	Country of Incorporation	Functional Currency
STI Asia Ltd	**80.00%**	–	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd	**80.00%**	–	United Kingdom	GBP
IMI USA	**100.00%**	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	Japan	USD
PSi	**100.00%**	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [i]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [i]	**64.00%**	64.00%	Philippines	USD

[a] New entity incorporated in Shenzhen which now runs the manufacturing operations of Pingshan and Kuichong
[b] On June 30, 2014, STEL Group's BOD passed a resolution to wind up STCQ. The dissolution was completed in 2016.
[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] On June 19, 2017, Monarch agreed to sell its net target assets and transfer its membership rights to IMI Singapore.
[e] Cooperatief is 99% owned by Monarch and 1% owned by IMI Singapore.
[f] On January 1, 2016, IMI BG changed its functional currency from Bulgarian Lev (BGN) to EUR
[g] No current operation.
[h] On March 1, 2014, IMI MX changed its functional currency from MXP to USD.
[i] On June 21, 2012, the BOD of PSiTech Realty and Pacsem Realty authorized the dissolution of PSiTech Realty and Pacsem Realty, subject to the Philippine SEC approval. As of August 4, 2017, such approval is still pending.

Business Combinations

Acquisition of Surface Technology International Enterprises Limited (STI)

On April 6, 2017, IMI has entered into an agreement with the shareholders of STI for the acquisition by IMI, through its subsidiary IMI UK, of an 80% stake in STI, an electronics manufacturing services (EMS) company based in the United Kingdom, with factories in Hook and Poynton in the United Kingdom and Cebu, Philippines. The closing of the transaction transpired on May 16, 2017 upon completion of pre-closing conditions and regulatory approvals.

The provisional values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows:

Assets	
Cash and cash equivalents	$4,046
Receivables - net	11,777
Inventories	15,676
Other current assets	3,695
Property, plant and equipment - net	7,650
	42,844
Liabilities	
Trade accounts payable and accrued expenses	23,006
Loans and trust receipts payable	14,206
Long-term debt	259
Other noncurrent liabilities	1,284
	38,755
Net Assets	**$4,089**
Non-controlling interest (20.00%)	(818)
Provisional goodwill	51,455
Cost of Acquisition	**$54,726**

The purchase price allocation for the acquisition of STI has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This includes information based on appraisal reports for property, plant and equipment and information necessary for the valuation of identified intangible assets (customer relationships). Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property, plant and equipment, intangible assets and goodwill. The provisional goodwill recognized on the acquisition can be attributed to STI's access to the UK market through two acquired factories. Further, the partnership allows the group's entry into the aerospace, security and defense sectors.

From the date of acquisition, STI contributed $29.23 million of revenue and $1.33 million loss to profit before tax of the Group. If the combination had taken place at the beginning of the year, STI would have contributed revenue amounting to $48.48 million and loss before tax amounting to $8.15 million.

Analysis of cash flows on acquisition:

Initial purchase consideration	$29,750
Contingent consideration	24,976
Cost of acquisition	$54,726
Cash consideration	$29,750
Less: Cash acquired from the subsidiary	4,046
Net cash flow (included in cash flows from investing activities)	**$25,704**

The initial purchase consideration of £23.00 million ($29.75 million) upon signing of the agreement was paid in cash. The contingent consideration will depend on the actual normalized EBITDA performance less adjustments in 2018 and 2019. The contingent consideration was recognized at its fair value as part of the consideration transferred using the probability-weighted average of payouts associated with each possible outcome which resulted to an initial estimate amounting to £19.31 million ($24.98 million).

The agreement also provided details regarding the sale of additional shares from the non-controlling interest through the grant of put and call options, as follows:

Options	Holder of the Right	Description	Option Period	Option / Exercise Price
Call Option	IMI	Right to require each of the Founders to sell to the Buyer all (but not some) of the interests held by that Founder by service of an Option Notice by the Buyer on the Founder at any time during the Call Option Period	Period commencing upon the earliest of: • an Event of Default[i] occurring in respect of that Founder; • a Leaver Event[ii] occurring; • the aggregate relevant proportion of the Founders falling to less than 10%; and • the fifth anniversary of the Shareholders Agreement (SA).	Where the Call Option Period commenced: • on the fifth anniversary of this SA and where no Event of Default has occurred – 100% of the fair value[iii] of the relevant Option Interests • on the fifth anniversary of this SA but where an Event of Default has occurred – 90% • prior to the fifth anniversary of this SA as a result of a No Fault Leaver Event[iv] – 100%

[i] An Event of Default shall mean any of the following in respect of a Founder:

(i) that Founder commits any material breach of the SA or his contract or service, employment or consultancy with the Company or any member of the Group; or
(ii) that Founder is convicted of any criminal offense (other than minor motoring offences not punishable with imprisonment); or
(iii) that Founder commits any fraud with respect to the business of the STI Group; or
(iv) that Founder enters or proposes to enter into any composition or arrangement with his creditors generally; or
(v) that Founder is declared bankrupt or otherwise unable to pay his debts as they fall due.

[ii] A Leaver Event means that the First Founder ceases to be an employee of a member of the STI Group, dedicating not less than 50% of his working time to the business.

[iii] The fair value shall be determined in accordance with the following:

- promptly after the service of the Option Notice, the investors shall seek to agree the purchase price for the Option Interests which shall be the market value of the Option Interests on the date an Option Notice is served assuming a willing buyer and a willing seller and making no adjustment on account of any restrictions on the transfer of the Option Interests;
- if the investors agree the purchase price for such Option Interests it shall be binding on all investors and members of their respective investor groups; and
- in the event of any dispute as to the purchase price, the price in dispute shall be referred to a "Big Four" firm or an Expert.

[iv] A No Fault Leaver Event means occurring prior to the fifth anniversary of the SA other than in circumstances where (i) the First Founder tenders his resignation (other than as a result of his permanent disability or incapacity or in circumstances where he is found to have been constructively dismissed); or (ii) the employment of the First Founder is terminated by his employer in circumstances justifying summary dismissal.

Options	Holder of the Right	Description	Option Period	Option / Exercise Price
				• prior to the fifth anniversary of this Agreement as a result of the aggregate relevant proportion of the Founders falling to less than 10% – 100% • prior to the fifth anniversary of this SA other than (iii) and (iv) above – 90%
Put option	Founders (Singly or Collectively)	Right to require the Buyers to buy from each Founder all (but not some) of the interests held by that Founder by service of an Option Notice by the relevant Founder on the Buyers at any time during the Put Option Period	Period commencing upon the earlier of: • a No Fault Leaver Event occurring in respect of a Founder; • the aggregate relevant proportion of the Founders falling to less than 5%; and • the fifth anniversary of the SA.	100% of the fair value of the relevant Option Interests

Management assessed that it does not have present access to the returns associated with the non-controlling interest. The Group takes the view that the non-controlling interest should be accounted for in accordance with PFRS 10, *Consolidated Financial Statements,* and must be presented within equity, separate from the equity of the owners of the Parent Company, until the put option is exercised. The Group has elected to measure non-controlling interest in the acquiree at the proportionate share of the non-controlling interest in the recognized amounts of the acquiree's identifiable net assets. The carrying amount of non-controlling interest changes due to allocation of profit or loss, changes in other comprehensive income and dividends declared for the reporting period.

The call option is accounted for under PAS 39, *Financial Instruments: Recognition and Measurement,* as a derivative asset carried at fair value through profit or loss. Given that the call option is exercisable at the fair value of the shares at the exercise date, the value of the derivative is nil. The financial liability for the put option is accounted for under PAS 39 like any other written put option on equity instruments. On initial recognition, the corresponding debit is made to a component of equity attributable to the parent, not to the non-controlling interest. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value payable on exercise are recognized in profit or loss also attributable to the parent.

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

The Group accounted for the put options as financial liabilities measured at the present value of the redemption amount, with a debit to "Additional paid-in capital" account, amounting to $13.54 million on initial valuation. Mark-to-market loss from valuation date until October 31, 2017 amounting to $0.11 million was recognized in the consolidated statements of income.

Acquisition-related costs, which consist of professional and legal fees, financing and transaction costs, taxes, representation and travel expenses amounting to $1.52 million were recognized as expense in 2017.

Acquisition of VIA
On August 16, 2016, Cooperatief and the shareholders of VIA entered into a Sale and Purchase Agreement (SPA) under which Cooperatief acquired a 76.01% stake in VIA for a total cash consideration of €47.79 million ($53.46 million), while the remaining 23.99% to be retained by the founder of VIA.

In 2016, the purchase price allocation for the acquisition of VIA has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation.

The Group finalized the purchase price allocation with the following changes to the provisional values based on additional information subsequently obtained:

Assets	**Fair Values**	**Provisional Values**
Cash and cash equivalents	$6,585	$6,585
Receivables	18,745	18,745
Inventories	5,448	5,448
Other current assets	661	661
Property, plant and equipment	3,149	3,149
Intangible asset	8,341	493
Deferred tax asset	558	558
Other noncurrent assets	159	159
	43,646	35,798
Liabilities		
Accounts payable and accrued expenses	18,241	18,241
Current portion of long-term debt	126	126
Loans payable	8,478	8,478
Other current liabilities	2,724	2,724
Long-term debt	209	209
Other noncurrent liabilities	152	152
Deferred tax liabilities	1,976	217
	31,906	30,147
Net Assets	**$11,740**	**$5,651**
Non-controlling interest (23.99%)	(2,816)	(1,356)
Goodwill	44,540	49,169
Cost of acquisition	**$53,464**	**$53,464**

The fair value of the intangible asset of VIA increased by $7.85 million. The intangible assets is attributable to VIA's extensive experience and knowledge and certain know-how and other intellectual property (IP) rights in the field of developing and manufacturing optical bonded products, including materials and equipment for optical bonding and the optical bonding process. The increase in the fair value of the net assets of VIA have been retrospectively consolidated in the financial statements of the Group. The goodwill recognized is not expected to be deductible for tax purposes.

The fair value of the IP was determined using relief from royalty method taking into account the royalty savings of owning an IP. The IP will be amortized over 5 years.

Deferred tax liability on the increase in fair value of intellectual properties was recognized amounting to $1.76 million. Derecognized deferred tax liability due to amortization of IP amounted to $0.38 million for the ten months period ended October 31, 2017.

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, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance, unless otherwise indicated.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  These amendments do not have any material impact to the Group.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments resulted in additional disclosures in the unaudited interim condensed consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments do not have any material impact to the Group.

4. Cash and Cash Equivalents

This account consists of:

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Cash on hand	**$104**	$84
Cash in banks	**62,663**	75,816
Short-term investments	**4,792**	10,649
	$67,559	$86,549

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

5. Receivables - net

This account consists of:

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Trade	**$247,959**	$192,152
Nontrade	**11,790**	3,804
Receivable from insurance	**1,077**	1,861
Receivable from employees	**653**	554
Due from related parties	**146**	300
Others	**4**	1,266
	261,629	199,937
Less allowance for doubtful accounts	**1,837**	1,734
	$259,792	$198,203

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 80 days from invoice date.

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

Receivable from insurance
Insurance for damages to property, plant, and equipment, inventories and business interruptions caused by fire in January 2016 amounting to $1.20 million was claimed by STJX, $0.41 million of which have been collected in 2016 and the balance collected in January 2017.

Claims to damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to $1.08 million was fully provided with allowance for doubtful accounts.

Others
Others include government creditable tax and receivables from the plan assets managed by BPI.

Allowance for Doubtful Accounts
Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of $1.84 million as of October 31, 2017 and $1.73 million as of December 31, 2016, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Provision and reversals for doubtful accounts recognized for the ten-month period ended October 31, 2017 and 2016 amounted to $0.30 million and ($0.08) million, respectively. Provision during the period form part of “Operating Expenses” account.

6. Inventories

Increase in inventories was attributable to growth of turnkey businesses particularly in Europe and Mexico. There is also building up of inventories in China in anticipation for the next quarter’s demand and consolidation of STI’s management accounts.

Reversals for inventory obsolescence and allowance for decline in inventories, recognized for the ten-month period ended October 31, 2017 and 2016 amounted to $0.71 million and $1.72 million, respectively.

7. Other Current Assets

This account consists of:

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Tax credits	**$9,630**	$3,585
Prepayments	**7,569**	2,372
Advances to suppliers	**6,129**	8,839
Input taxes	**2,728**	525
Noncurrent assets held for sale	**362**	362
Derivative assets	**–**	67
Others	**603**	341
	$27,021	$16,091

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

Prepayments
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.

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

Noncurrent assets held for sale
Noncurrent assets held for sale relates to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the plan to relocate its manufacturing facility in Liantang, Luohu, in line with the urban redevelopment projects of the Shenzhen City government. The sale is subject to certain conditions which are expected to be completed within the year.

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

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Property, Plant and Equipment	**$302,691**	$245,433
Less: Accumulated Depreciation	**145,129**	126,296
Accumulated Impairment losses	**1,744**	1,732
Property, Plant and Equipment (Net)	**$155,818**	$117,405

Additions to property, plant and equipment for the ten month period ended October 31, 2017 amounted to $48.89 million comprise mainly of purchases of machinery and equipment and construction-in-progress related to facilitation and set up of production lines amounting to $39.62 million.

Property, plant and equipment acquired through business combination amounted to $7.65 million (STI) and $3.15 million (VIA) in 2017 and 2016, respectively.

Depreciation expense amounted to $21.23 million and $20.07 million for the ten-month period ended October 31, 2017 and 2016, respectively.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the ten-month period ended October 31, 2017 and 2016 amounting to $0.61 million and $0.06 million, respectively.

9. **Intangible Assets - net**

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (As Restated - Note 2)
	(In thousands)	
Intangible Assets	**$50,980**	$42,989
Less: Accumulated Amortization	**28,527**	24,672
Accumulated Impairment losses	**525**	–
Intangible Assets (Net)	**$21,928**	$18,317

Intangible assets consist of computer software, intellectual properties and product development costs with net book value of $6.29 million, $6.55 million and $9.09 million, respectively, as of October 31, 2017.

Additions amounting to $3.28 million comprise mainly of acquisitions of computer software, applications and modules.

VIA's intellectual properties pertain to display system optically bonded to a display region and enhanced liquid crystal display system and methods. The Group finalized the purchased price allocation for the acquisition of VIA and determined the fair value of the intellectual properties amounting to $8.34 million (see Note 2).

Product Development Costs
This includes capitalized costs arising from the development phase of certain projects which are still under qualification. Additions during the period amounted to $4.42 million.

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The projects to which the development costs pertain to represent the CGU of the intangible assets. The recoverable amounts of these CGUs have been determined using cash flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects.

Impairment loss amounting to $0.52 million was recognized for one project for the ten months period ended October 31, 2017. The impairment loss was included under “Operating Expenses” in the unaudited consolidated statement of income.

Amortization amounted to $3.58 million and $1.77 million for the ten-month period ended October 31, 2017 and 2016, respectively.

Research expenditure recognized as expense amounted to $0.98 million and $0.06 million for the ten months period ended October 31, 2017 and 2016, respectively.

10. Accounts Payable and Accrued Expenses

This account consists of:

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Trade payables	**$183,874**	$136,115
Accrued compensation and benefits	**25,462**	21,686
Nontrade payables	**22,256**	8,050
Accrued expenses	**22,041**	16,677
Advances from a third party	**13,154**	6,538
Advances from customers	**3,621**	2,568
Accrued interest payable	**1,664**	769
Taxes payable	**1,490**	1,094
Customers' deposits	**725**	897
Employee-related contributions	**688**	455
Derivative liabilities	**35**	11
Due to related parties (Note 18)	**–**	590
Others	**831**	226
	$275,841	$195,676

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.

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. This also includes advances from directors of STI which are payable on demand.

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

Advances from a Third Party
The amount pertains to the deposit received related to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the plan to relocate its manufacturing facility in Liantang, Luohu, in line with the urban redevelopment projects of the

Shenzhen City government. The sale is subject to certain conditions which are expected to be completed within the year.

Advances from Customers
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA with interest ranging from 3.55% to 5.00%, current portion of PSi's advances from local customers, and advance payments made by customers for goods and services of the Parent Company and STEL.

Taxes Payable
Taxes payable pertain to taxes withheld such as fringe benefits tax and withholding taxes on purchased goods and services. Withholding taxes payable are expected to be settled within the next financial year.

Customers' Deposits
The amount pertains to advance payments made by customers as manufacturing bond.

Employee-related Contributions
This account consists mainly of remittances related to government agencies such as social security and insurance, housing fund and health insurance.

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

11. **Loans and Trust Receipts Payable**

This account consists of borrowings of the following entities:

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Parent Company	**$89,000**	$25,000
STEL	**16,000**	8,000
VIA	**11,233**	7,903
STI	**5,287**	–
IMI CZ	**1,528**	1,093
PSi	**213**	9,449
	$123,261	$51,445

Parent Company
As of October 31, 2017 and December 31, 2016, the Parent Company has short-term loans aggregating $89.00 million and $25.00 million respectively, with maturities ranging from 30 to 180 days, and fixed annual interest rates ranging from 1.67% to 2.20% in 2017 and 1.23% to 1.24% in 2016.

STEL
The loans of STEL are clean loans from existing revolving credit facilities with a Singaporean bank and bear annual interest rate of 3.45% in 2017, and 2.24% in 2016, and have maturities of 30 to 60 days from the date of issue, with renewal options.

VIA
The loans of VIA consists of factoring loan from China-based banks denominated in USD and RMB amounting to a total of $8.74 and $5.81 million as of October 31, 2017 and December 31, 2016, respectively, with terms ranging from 140 to 180 days, and bears interest ranging from 3.01% to 3.33% and loan from a German-based bank amounting to €2.1 million ($2.49 million)

and €2.0 million ($2.09 million) as of October 31, 2017 and December 31, 2016, respectively, with term of 90 days with renewable options and bears interest rate of 1.95% per annum.

STI
In 2017, the loans of STI consists of short-term loan from UK bank denominated in GBP amounting to £0.5 million ($0.66 million) with a term of 90 days, and bears interest rate of 3.10% per annum and loan from local banks amounting to $4.63 million with terms ranging from 140 to 210 days and bears interest rate ranging from 3.09% to 4.7% per annum.

IMI CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Unicredit Czech and Citibank and bear interest based on 1-month EURIBOR plus 1.20%.

PSi
PSi has short-term loans from a local bank amounting to $9.20 million as of December 31, 2016, and trust receipts payable amounting to $0.21 million and $0.25 million as of October 31, 2017 and December 31, 2016, respectively. The loan was settled in the first half of 2017.

12. **Long-Term Debt**

This account consists of borrowings of the following entities:

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Parent Company	**$134,500**	$120,222
Cooperatief	**4,940**	6,587
IMI CZ	**3,277**	1,818
IMI BG	**271**	418
VIA	**100**	284
	143,088	129,329
Less current portion:		
Parent Company	**–**	5,222
Cooperatief	**4,940**	2,108
IMI CZ	**1,170**	529
IMI BG	**232**	209
VIA	**100**	117
	6,442	8,185
Noncurrent portion	**$136,646**	$121,144

Parent Company
On October 4, 2017, the Parent Company obtained a $10.00 million 5-year term loan from a local bank subject to a fixed interest rate of 2.86%.

On September 25, 2017, the Parent Company obtained a $10.00 million 5-year term loan from a local bank subject to a fixed interest rate of 2.96%.

On October 10, 2016, the Parent Company obtained a $40.00 million 5-year term loan from a local bank subject to a fixed interest rate of 2.70%.

On October 6, 2016, the Parent Company obtained a $40.00 million 3-year term loan from a local bank subject to a fixed interest rate of 2.30% per annum.

On September 29, 2016, the Parent Company obtained a $15.00 million 3-year term loan from a local bank subject to a fixed interest rate of 2.42%.

On August 12, 2015, the Parent Company obtained a $20.00 million 5-year term loan from a local bank payable at the end of the loan term 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 2.80%, 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 ($5.22 million), 5-year term clean loan from a local bank payable in a single balloon payment at the end of the loan term. Interest is payable semi-annually at the rate of 6-month LIBOR plus 1.50% spread per annum. The loan matured and was paid by the Parent Company in February 2017.

The loan agreements on long-term debt of the Parent Company provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of October 31, 2017 and December 31, 2016.

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 an aggregate amount of €10.00 million from 2013 to 2017 with an annual payment of €2.00 million every July of each year.

The balance of €4.25 million ($4.94 million) will be due on July 29, 2018.

IMI CZ

On June 1, 2017, IMI CZ obtained a term loan facility from Citibank amounting to €1.50 million that was used to investment financing. The principal shall be paid in 60 regular monthly installments and bears interest of 3-month EURIBOR plus 0.90% but is not to exceed 15% per annum.

On August 14, 2015, IMI CZ obtained a 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 amounting to €0.59 million that relates to a term loan facility for the purchase of its new SMT machine. The debt bears annual interest of 1-month EURIBOR plus 2.70% and matures on July 31, 2019.

IMI BG

IMI BG has a long-term debt from BNP Paribas amounting to $0.27 million 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 to office and factory equipment with a carrying value of $1.35 million.

VIA

VIA has a long-term debt from Sparkasse Bank amounting to $0.10 million. The debt bears annual interest of 5.35% and matures on June 30, 2019.

13. **Financial Liabilities**

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Put options		
VIA	**$12,481**	$11,334
STI (Note 2)	**13,469**	–
Contingent consideration (Note 2)	**406**	–
Current	**$26,356**	$11,334
Noncurrent portion of contingent consideration (Note 2)	**$24,570**	–

The put options of VIA pertain to the right of the non-controlling shareholder to sell all shares held to IMI (exit put option) and right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA (5% put option).

The noncurrent portion of the contingent consideration is included under “Noncurrent portion of contingent consideration” account in the unaudited interim condensed consolidated balance sheets.

14. **Equity**

Authorized Capital Stock
On February 15, 2017, the Parent Company’s Board of Directors approved the proposed decrease of authorized capital stock of the Parent Company to reflect the retirement of the redeemed ₱1.3 billion redeemable preferred shares and the corresponding amendment to the Articles of Incorporation.

Additional Paid-in Capital
The financial liabilities arising from the written put options over the non-controlling interest of VIA and STI were recognized with a corresponding debit to the “Additional paid-in capital” account.

The effects of the initial recognition of financial liabilities arising from put options on business combinations are as follows:

	(In thousands)
VIA (2016)	$12,058
STI (2017)	$12,877

Dividends
On April 4, 2017, the BOD of the Parent Company approved the declaration of cash dividend of $0.004529 or ₱0.22739 per share to all outstanding common shares aggregating to $8.43 million as of record date of April 20, 2017 payable on May 4, 2017.

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 aggregating to $8.62 million as of record date of February 23, 2016 payable on March 10, 2016.

15. **Operating Expenses**

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Salaries, wages and employee benefits	**$32,209**	$26,307
Plant relocation costs	**6,575**	–
Depreciation and amortization	**5,223**	4,009
Facilities costs and others	**27,851**	13,264
	$71,858	$43,580

Facilities costs and others include utilities, outsourced activities, technology related, government related, travel and transportation, and other expenses.

The plant relocations costs represent expenses on the transfer of China operations from Liantang, Luohu to Pingshan. This is in line with the urban redevelopment projects of the Shenzhen City government.

The relocation costs consist employee relocation incentive amounting to $5.91 million and incidental expenses such as rental, machine transfer, overtime during transition, dormitory expense, security and janitorial, transportation and system transfer aggregating to $0.67 million.

16. **Earnings per Share**

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

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Net income	**$20,762**	$25,768
Weighted average number of common shares outstanding	**1,862,040**	1,863,744
Basic and diluted	**$0.011**	$0.014

As of October 31, 2017 and 2016, the Parent Company has no dilutive potential common shares.

17. **Segment Information**

Management monitors operating results per subsidiary for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and net income before and after tax of its major manufacturing sites. Philippine operation is further subdivided into the Parent Company and PSi, IMI BG and IMI CZ are combined under Europe based on the industry segment and customers served while IMI USA and IMI Japan are combined being the support facilities for research and development, engineering development and sales and marketing. VIA and STI were also combined to represent non-core businesses and subsidiaries not wholly-controlled by IMI.

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

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 ten-month period ended October 31, 2017 and 2016:

October 31, 2017 (Unaudited)	Philippines Parent Company	Philippines PSi	Singapore/ China	Europe	Mexico	Germany/UK (VIA/STI)	USA/Japan	Consolidation and Eliminations	Total
Revenue:									
Third party	$189,553	$30,027	$219,364	$227,057	$70,458	$153,177	$204	$–	$889,840
Intersegment	678	–	34	11	–	–	3,870	(4,593)	–
Total revenue	$190,231	$30,027	$219,398	$227,068	$70,458	$153,177	$4,074	($4,593)	$889,840
Segment interest income	$1,134	$2	$659	$–	$–	$2	$0	($1,533)	$264
Segment interest expense and bank charges	($4,169)	($508)	($448)	($1,466)	($174)	($1,048)	($6)	$1,655	($6,164)
Segment profit (loss) before income tax	$8,121	($654)	($1,948)	$24,802	$798	$3,120	$279	($7,745)	$26,773
Segment provision for income tax	(1,284)	(33)	(400)	(2,479)	(306)	(1,277)	(12)	(41)	(5,832)
Segment profit (loss) after income tax	$6,837	($687)	($2,348)	$22,323	$492	$1,843	$267	($7,786)	$20,941
Net income (loss) attributable to the equity holders of the Parent Company	$6,837	($687)	($2,348)	$22,323	$492	$1,664	$267	($7,786)	$20,762

October 31, 2016 (Unaudited)	Philippines Parent Company	Philippines PSi	Singapore/ China	Europe	Mexico	Germany (VIA)	USA/Japan	Consolidation and Eliminations	Total
Revenue									
Third party	$184,627	$27,411	$214,856	$201,745	$54,367	$6,728	$359	$–	$690,093
Inter-segment	178	–	13	–	–	–	3,437	(3,628)	–
Total revenue	$184,805	$27,411	$214,869	$201,745	$54,367	$6,728	$3,796	($3,628)	$690,093
Segment interest income	$749	$1	$402	$33	$–	$–	$–	($975)	$210
Segment interest expense and bank charges	($1,996)	($560)	($208)	($501)	($271)	($65)	($3)	$761	($2,483)
Segment profit (loss) before income tax	$9,133	($2,413)	$1,696	$27,116	$399	($27)	$615	($5,363)	$31,156
Segment provision for income tax	(1,045)	–	(990)	(2,893)	(394)	24	(3)	(92)	(5,393)
Segment profit (loss) after income tax	$8,088	($2,413)	$706	$24,223	$5	($3)	$612	($5,455)	$25,763
Net income (loss) attributable to the equity holders of the Parent Company	$8,088	($2,413)	$706	$24,223	$5	($2)	$612	($5,455)	$25,763

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

For the ten-month period ended October 31, 2017, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $4.58 million and intersegment cost of sales and operating expenses amounting to $1.27 million and $4.30 million, respectively.

For the ten-month period ended October 31, 2016, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $3.63 million and intersegment cost of sales and operating expenses amounting to $0.80 million and $6.39 million, respectively.

The following table presents segment assets of the Group's geographical segments as of October 31, 2017 and December 31, 2016:

	Philippines		Singapore/ China	Europe	Mexico	Germany/UK (VIA/STI)	USA/ Japan	Consoli-dation and Eliminations	Total
	Parent Company	PSi							
October 31, 2017 (Unaudited)	**$411,930**	**$14,442**	**$211,158**	**$255,855**	**$95,563**	**$157,006**	**$3,462**	**($289,657)**	**$859,759**
December 31, 2016 (As Restated - Note 2)	$323,143	$15,431	$224,745	$199,169	$64,529	$33,075	$3,249	($227,432)	$635,909

Segment assets do not include investments in subsidiaries and intersegment receivables amounting to $195.36 million and $98.94 million as of October 31, 2017, respectively, and $180.13 million and $46.88 million as of December 31, 2016, respectively. These are eliminated in consolidation.

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

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (As Restated - Note 2)
	(In thousands)	
STI (Note 2)	**$51,455**	$–
VIA (Note 2)	**44,540**	44,540
STEL	**45,128**	45,128
Parent Company	**1,098**	1,098
IMI CZ	**650**	650
	$142,871	$91,416

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

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Europe	**$425,435**	$375,040
America	**191,658**	169,807
Japan	**35,681**	34,048
Asia/Others	**237,066**	111,198
	$889,840	$690,093

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 13% and 15% of the Group's total revenue for the ten-month period ended October 31, 2017 and 2016, respectively.

The following table presents revenues per product type:

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Automotive	**$366,062**	$312,961
Consumer	**156,385**	50,928
Industrial	**153,495**	125,098
Telecom	**122,326**	130,625
Aerospace / Defense	**17,610**	–
Medical	**16,990**	18,040
Multiple markets / Others	**56,972**	52,441
	$889,840	$690,093

18. **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 ten-month period ended October 31, 2017 and 2016, the Group has not recorded any impairment on receivables, except for the receivable from Narra VC, relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

a. Transactions with BPI, an affiliate

   As of October 31, 2017 and December 31, 2016, the Group maintains current and savings accounts with BPI amounting to $0.70 million and $0.93 million, respectively.

   Total interest income earned from investments with BPI amounted to $0.61 million and $0.28 million for the quarters ended October 31, 2017 and 2016, respectively.

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

	Receivables/Deposits		Payables	
	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)	**Oct 31, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
AC Energy Holdings, Inc. (ACEHI)	**$146**	$483	**$–**	$–
AC	–	–	**–**	584
Globe Telecom, Inc. (GTI)	–	–	**–**	6
	$146	$483	**$–**	$590

   i. Transaction with ACEHI represents deposit required by the distribution utility (DU) in a form of cash in accordance with the distribution wheeling services agreement between ACEHI and the DU, to be returned to the Parent Company at the end of the contract term.

   ii. Payables to AC are nontrade in nature and pertain to transaction costs paid in advance in relation to VIA acquisition. This was fully settled in the first quarter of 2017.

iii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

c. Outstanding balances of transactions with subsidiaries from the Parent Company's point of view follow:

	Receivables		Payables	
	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)	**Oct 31, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
IMI EU/MX Subsidiaries	**$40,255**	$24,100	**$515**	$9
PSi	**26,262**	16,722	**102**	99
STI	**2,275**	–	–	–
IMI Japan	**989**	993	**505**	604
STEL	**379**	191	**1,987**	1,449
IMI USA	**254**	262	**318**	371
IMI ROHQ	**7**	25	**290**	780
IMI Singapore	**347**	1,465	**–**	58
	$70,768	$43,758	**$3,717**	$3,370

The outstanding balances are eliminated upon consolidation.

i. Receivables from IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI Japan, IMI USA and STEL are nontrade in nature and pertain to operating cash advances made by the Parent Company. These are noninterest-bearing and are due on demand.

Advances to PSi and IMI EU/MX Subsidiaries have term ranging from 90 to 360 days subject to interest rates ranging from1.94% to 2.90% in 2017 and 1.00%% to 2.88% in 2016.

Receivables from IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company's retirement plan upon availment. The retirement expense is being included in the service fees billed by ROHQ to the Parent Company.

Payables to STEL 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.

STEL Singapore also has advances to other IMI subsidiaries which bears interest ranging from 2.00% to 3.97% in 2016 and 2.28% to 3.19% in 2016.

ii. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as an administrative, communications and coordinating center for its affiliates. These advances are noninterest-bearing and are payable on demand.

iii. Payables to IMI Japan and IMI USA are nontrade in nature and pertain to administrative expenses paid by the Parent Company on their behalf.

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

	Revenue/Income		Expenses	
	Oct 31, 2017 (Unaudited)	Oct 30, 2016 (Unaudited)	**Oct 31, 2017 (Unaudited)**	Oct 30, 2016 (Unaudited)
BPI	**$6**	$2	**$–**	$–
ACEHI	**–**	–	**4,498**	–
Direct Power Services Inc. (DPSI)	**–**	–	**2,529**	–
Technopark Land, Inc (TLI)	**–**	–	**860**	877
AC	**–**	–	**87**	–
GTI	**–**	–	**68**	67
Innove Communication, Inc. (ICI)	**–**	–	**45**	82
Ayala Group Legal (AG Legal)	**–**	–	**38**	84
	$6	$2	**$8,125**	$1,110

Revenue/income from its affiliates pertains 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. Light and power allocation charged by DPSI to PSi.

ii. Light and power allocation charged by ACEHI to the Parent Company.

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

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

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

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

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

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

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

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

Compensation of Key Management Personnel of the Group

Compensation of key management personnel by benefit type follows:

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
Short-term employee benefits	**$6,948**	$6,617
Post-employment benefits	**245**	234
Share-based payments	**256**	536
	$7,449	$7,387

19. **Fair Values of Financial Instruments**

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

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of October 31, 2017 and December 31, 2016:

	Carrying Amounts		Fair Values	
	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)	**Oct 31, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
Financial assets:				
AFS financial assets	**$758**	$741	**$758**	$741
Derivative assets	**–**	67	**–**	67
	$758	$808	**$758**	$808
Financial liabilities:				
Derivative liabilities	**$35**	$11	**$35**	$11
Financial liabilities	**25,950**	11,334	**25,950**	11,334
Noncurrent portion of:				
Long-term debt	**136,646**	121,144	**134,085**	118,083
Contingent consideration	**24,976**	–	**24,976**	–
	$187,607	$132,489	**$185,046**	$129,428

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

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

Financial liabilities - These pertain to the liabilities of the Parent Company arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used ranged from 0.30% to 0.47% in Germany and 1.02% in UK. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

The current equity value of VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

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

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 method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2017 and 2016 ranged from 1.20% to 5.35% and from 1.00% to 2.91%, respectively.

Contingent consideration - this pertains to the contingent consideration related to the acquisition of STI determined based on probability-weighted payout discounted at 8% at the date of acquisition to determine its fair value. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

Fair Value Hierarchy

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

	October 31, 2017			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Recurring assets measured at fair value:				
AFS financial assets	**$758**	**$–**	**$–**	**$758**
	$758	**$–**	**$–**	**$758**
Recurring liabilities measured at fair value:				
Derivative liabilities	**$–**	**$35**	**$–**	**$35**
Financial liabilities on put options	**–**	**–**	**25,950**	**25,950**
Contingent consideration	**–**	**–**	**24,976**	**24,976**
	$–	**$35**	**$50,926**	**$50,961**
Recurring liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$134,085**	**$134,085**

	December 31, 2016			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Recurring assets measured at fair value:				
Derivative assets	$–	$67	$–	$67
AFS financial assets	741	–	–	741
	$741	$67	$–	$ 808
Recurring liabilities measured at fair value:				
Derivative liabilities	$–	$11	$–	$11
Financial liabilities on put options	–	–	11,334	11,334
	$–	$11	$129,417	$129,428
Recurring liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$118,083	$118,083

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

	Dec 31, 2016	Additions	Mark-to-market loss (gains)	Foreign currency translation	Oct 31, 2017
Financial liabilities on put options	**$11,334**	**$13,469**	**($218)**	**$1,365**	**$25,950**
Contingent consideration	**–**	**24,976**	**–**	**–**	**24,976**
	$11,334	**$38,445**	**($218)**	**$1,365**	**$50,926**

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

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

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

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	1%-3% (2%)	1% increase in growth rate would result in an increase in fair value by $1.02 million. Decrease in growth rate by 1% would result in a fair value decrease of $0.65 million.
		Discount rate	10%-13% (12%)	1% increase in discount rate would result in a decrease in fair value by $1.14 million. Decrease in discount rate by 1% would result in a fair value increase of $1.28 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $2.84 million. Decrease in the probability to 1% would result in a decrease in fair value by $6.24 million.
Other noncurrent liabilities (contingent consideration)	Discounted, probability-weighted payout	Discount rate	7%-9% (8%)	1% increase in discount rate would result in a decrease in fair value by $0.45 million. Decrease in discount rate by 1% would result in a fair value increase of $0.47 million.
		Probability of pay-out	£0 to £23.3 million ($0 to $30.20 million)	GBP0 to GBP23.3 million ($0 to $30.20 million)

20. Financial Risk Management Objectives and Policies

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

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

The Group's risk management policies are summarized below:

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended October 31, 2017 and 2016. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Income before Tax	
Increase/Decrease in Basis Points	**Oct 31, 2017 (Unaudited)**	Oct 31, 2016 (Unaudited)
+100	**($423)**	($705)
-100	**423**	705

The following table shows the information about the Group's debt as of October 31, 2017 and 2016 that are exposed to interest rate risk presented by maturity profile:

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
Within one year	**$2,930**	$6,770
One to five years	**2,146**	1,693
	$5,076	$8,463

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

Credit Risk
Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents, and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's maximum exposure to credit risk as of October 31, 2017 and December 31, 2016 is the carrying amounts of the financial assets. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 22% and 40% of trade receivables relating to three major customers as of October 31, 2017 and December 31, 2016, respectively.

As of October 31, 2017 and December 31, 2016, the aging analysis of trade receivables follows:

		Neither past due nor	Past due but not impaired					Specifically
	Total	impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days	Impaired
October 31, 2017 (Unaudited)	**$247,959**	**$214,850**	**$17,742**	**$5,986**	**$1,314**	**$1,507**	**$5,880**	**$680**
December 31, 2016 (Audited)	$192,152	$155,163	$24,243	$5,878	$2,928	$1,633	$1,712	$595

Foreign Currency Risk
The Group's foreign exchange risk results primarily from movements of the USD against other currencies. As a result of significant operating expenses in PHP, the Group's consolidated statements of income can be affected significantly by movements in the USD versus the PHP. 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 hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

Philippine Peso (₱)

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$1,282**	**₱66,166**	$3,188	₱158,548
Receivables	**1,664**	**85,868**	676	33,640
Miscellaneous deposits	**681**	**35,137**	1,060	52,692
Accounts payable and accrued expenses	**(16,364)**	**(844,395)**	(17,222)	(856,403)
Other noncurrent liabilities	**(384)**	**(19,811)**	(398)	(19,811)
Net foreign currency-denominated liabilities	**($13,121)**	**(₱677,035)**	($12,696)	(₱631,334))

Euro (€)

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$19,773**	**€17,004**	$19,842	€18,998
Receivables	**98,944**	**85,092**	73,092	69,984
Accounts payable and accrued expenses	**(65,926)**	**(56,696)**	(49,796)	(47,678)
Long-term debt	**(6,073)**	**(5,223)**	(7,458)	(7,141)
Net foreign currency-denominated assets	**$46,718**	**€40,177**	$35,680	€34,163

Renminbi (RMB)

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$12,226**	**RMB81,286**	$16,577	RMB115,209
Receivables	**62,233**	**413,757**	60,578	421,004
Accounts payable and accrued expenses	**(44,714)**	**(297,284)**	(42,505)	(295,403)
Net foreign currency-denominated assets	**$29,745**	**RMB197,759**	$34,650	RMB240,810

British Pound (GBP)

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In GBP**	In USD	In GBP
Cash and cash equivalents	**$748**	**£569**	$23	£19
Receivables	**16,187**	**12,299**	–	–
Accounts payable and accrued expenses	**(28,584)**	**(21,717)**	(2)	(2)
Net foreign currency-denominated assets	**($11,649)**	**(£8,849)**	$21	£17

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 October 31, 2017 and December 31, 2016. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

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

		Effect on Net Income before Tax	
Currency	Increase/Decrease in USD Rate	**Oct 31, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
PHP	+1%	**$77**	$88
	-1%	**(77)**	(88)
EUR	+1%	**(724)**	(211)
	-1%	**724**	211
RMB	+1%	**(245)**	(197)
	-1%	**245**	197
GBP	+1%	**195**	1
	-1%	**(195)**	(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 October 31, 2017 and December 31, 2016.

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

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
Trust receipts and loans payable	**$123,261**	$51,445
Long-term bank borrowings	**138,148**	122,742
Total bank debt	**261,409**	174,187
Less cash and cash equivalents	**67,559**	86,549
Net bank debt	**$193,850**	$87,638
Equity attributable to equity holders of the Parent Company	**$250,054**	$236,606
Debt-to-equity ratio	**1:1.05**	0.74:1
Net debt-to-equity ratio	**0.78:1**	0.37:1

The Group is not subject to externally imposed capital requirements.

21. Notes to Consolidated Statement of Cash Flows

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

		Cash Flows		Non-cash changes				
	Dec 31, 2016 (Audited)	Availment	Repayment	Reclass	Declaration	Acquisition through business combination	Foreign currency translation	**Oct 31, 2017 (Unaudited)**
Dividends payable	$–	$–	($8,434)	$–	$8,434	$–	$–	**$–**
Loans and trust receipts payable	51,445	75,418	(19,665)	–	–	14,206	1,857	**123,261**
Current portion of long-term debt	8,185	590	(7,662)	4,479	–	129	721	**6,442**
Long-term debt	121,144	20,680	(869)	(4,479)	–	129	41	**136,646**
	$180,774	$96,688	($36,630)	$–	$$8,434	$14,464	$2,619	**$266,349**

22. Events after the Balance Sheet Date

On November 12, 2017, the Executive Committee of IMI passed a resolution approving the rights offering of common shares to all eligible shareholders of IMI (“Rights Issue”). IMI expects to raise proceeds of up to USD 100 million from the Rights Issue.

Determination of the final terms and conditions of the Rights Issue, including but not limited the final issue size, entitlement ratio, offer price, record date, and the final parties, has been delegated to IMI’s management, for final approval by the Executive Committee. IMI expects to launch the Rights Issue after receiving the required regulatory approvals.

IMI is conducting the Rights Issue in order to support the growth and strategic initiatives of IMI. This includes business expansions and strategic investments. The Rights Issue will ensure the financial flexibility to consider these opportunities if and when they arise.

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 ten months ended 31 October	
	2017	**2016**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$889,840**	$690,093
Cost of Goods Sold and Services	**789,019**	610,458
Gross Profit	**100,821**	79,635
Net Income Attributable to Equity Holders of the Parent Company	**20,762**	25,768
EBITDA[v]	**55,246**	55,766
Basic Earnings per Share (EPS)	**$0.011**	$0.014

Revenues from Sales and Services

The Company posted $889.8 million (₱44.75 billion,) revenues for the first ten months of 2017, an increase of 29% year-on-year due to positive effects of recent acquisitions and a rising demand in the automotive and industrial segments.

Revenues from Europe and Mexico operations surged 16% year-on-year to $297.5 million in the first ten months driven by increasing demand for automotive lighting, an innovative global megatrend for safety and performance. Ongoing expansions and new product introduction carried out in Mexico plant to support North America requirements also bolstered the group revenues.

Philippine operations increased 4% to $220.3 million strengthened by new industrial applications despite drop in demand in the security and medical device business.

The Company's China operations posted $219.4 million in revenues, up 2% year-on-year, as a result of demand decline in the telecom infrastructure business, but offset by positive growth in automotive and industrial segments.

The two recent acquisitions, VIA and STI, contributed a combined $153.2 million in revenues.

The Company's key focus markets, automotive and industrial which grew 19% year-on-year, continue to show high potential for growth.

[v] 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.

Gross Profit and Gross Profit Margin

The Company's operations generated gross profit of US$100.8 million or ₱5.07 billion, higher year-on-year by 27% mainly from strong revenue growth. In addition, continued focus on LEAN manufacturing and improved utilization of fixed overhead partially offset the lower gross profit margin mix coming from the new acquisitions.

Operating Income

Operating income is at $29.0 million or ₱1.45 billion, a 20% decrease from last year. Increase in GP was countered by increase in GAE mainly from the expenses recognized in relation to the sale of Shenzhen Speedy-Tech Electronics Co., Ltd. (STSZ) and transfer to the Pingshan facility. The relocation costs consist of partial employee pay-out amounting to $5.91 million and incidental expenses such as rental, machine transfer, overtime during transition, dormitory expense, security / janitorial, transportation and system transfer aggregating to $0.67 million. Based on labor employment contract regulations, it is not allowed to transfer location or legal entity without proper consent from each employee. Upon mutual agreement, the employees opted to be disengaged from the previous company and transfer to the new company with appropriate compensation. The move is in line with the urban redevelopment projects of the Shenzhen City government and should not be considered as a discontinued operation.

Other reasons for the decline include increase in people costs in Europe, transaction costs related to STI acquisition and amortization of intangible assets arising from the recognition of increase in fair values of VIA intellectual properties and start of depreciation related to new projects upon mass production.

Net Income

The Company net income attributable to the owners of the parent is $20.8 million or ₱1.05 billion, a decrease of 19% percent year-on-year driven by acquisition-related costs amounting to US$4.1 million which include transaction costs, interests and taxes, and amortization of intangibles, and US$6.6 million relocation costs.

Excluding the one-off relocation expense and acquisition related costs, net income attributable to the owners of the parent should have been US$31.5 million, 22% higher than last year's US$25.8 million.

EBITDA

EBITDA lower by US$0.5 million or 1% due to lower operating income before depreciation and amortization -US$7.1 million offset by beneficial FX position +$3.6 million. Excluding one-off relocation costs, EBITDA should have been higher by 8%.

Financial Condition

The Company's current capital structure is at 1.05:1 D/E ratio. The recent increase is driven by strong capital expenditures of $52.20 million in line with expansion programs and newly-acquired company in UK. The increased leverage will facilitate investments in desirable growth opportunities.

For the full year of 2017, the Company expects to spend $60.0M for capital expenditures for existing operations and new expansion projects.

Key Performance Indicators of the Company

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

	As of end Oct 31, 2017	As of end Dec 31, 2016
Performance indicators		
Liquidity:		
Current ratio[a]	1.23x	1.51x
Solvency:		
Debt-to-equity ratio[b]	1.05x	0.74x

	For the ten months ended 31 Oct 2017	For the ten months ended 31 Oct 2016
Operating efficiency:		
Revenue growth[c]	29%	-2%
Profitability:		
Gross profit margin[d]	11.3%	11.5%
Net income margin[e]	2.3%	3.7%
Return on equity[f]	8.5%	10.7%
Return on common equity[g]	8.5%	10.7%
Return on assets[h]	2.4%	3.8%
[vi]EBITDA margin	6.2%	8.1%

[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.

[vi] *EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents 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.*

(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
(Ten months ended 31 October 2017 versus 31 October 2016)

29% increase in Revenues ($690.1M to $889.8M)
The increase was driven by the surge in revenues of VIA, five months contribution of STI and increase in demand across all sites.

29% increase in Cost of goods sold ($610.5M to $789.0M)
Driven by the 29% increase in revenues.

65% increase in Operating expenses ($43.6M to $71.9M)
The increase was attributable to the newly-acquired subsidiary VIA and STI, transaction costs related to STI acquisition, relocation costs related to the transfer to the Pingshan manufacturing facility and increase in headcount and people costs to support new programs.

55% decrease in Other non-operating expenses (-$4.9M to $2.2M)
Beneficial FX position (+$3.6 million) driven by appreciation of USD against PHP and Euro (on liability position) and appreciation of RMB on net asset position and othe non-operating income offset the significant increase in interest expense (-$3.3M) related to loans to support acquisition and expansions.

3,680% increase in Noncontrolling interest (-$0.005M to $0.18M)
Share of minority in the net income of VIA (23.99%) and STI (20%).

Balance Sheet items
(31 October 2017 versus 31 December 2016 (As Restated)

22% decrease in Cash and cash equivalents ($86.5M to $67.6M)
Cash used by operating activities -$6.2M from increase in working capital; cash used in investing -$79.5M from increased capital expenditure to support line expansion and new programs; cash provided by financing $62.1M mainly due to availment of loans related to acquisition and expansion programs.

31% increase in Loans and receivables ($198.2M to $259.8M)
Increase mainly due to higher sales compared to Q42016 and consolidation of STI's management accounts.

71% increase in Inventories ($106.1M to $181.3M)
Increase attributable to growth of turnkey businesses particularly in Europe and Mexico. China building up inventories for the next quarter's demand, and consolidation of STI's management accounts.

68% increase in Other current assets ($16.1M to $27.0M)
Increase is attributable to increase in tax credits in Europe and Mexico and consolidation of STI's management accounts.

33% increase in Property, plant and equipment ($117.4M to $155.8M)
Significant increase in capital expenditures driven by ongoing big projects in China, Mexico, and Philippines, additional SMT lines in Europe and ongoing construction of the Serbia facility.

56% increase in Goodwill ($91.4M to $142.9M)
Goodwill recognized for the acquisition of STI amounting to $52.2 million.

20% increase in Intangible assets ($18.3M to $21.9M)
Increase mainly from capitalized costs arising from the development phase of certain projects under qualification (+$4.4M) and additional software costs.

41% increase in Accounts payable and accrued expenses ($195.7M to $275.8M)
Mainly due to the increase in trade payables and accrual for salaries and benefits, taxes, utilities and interest. The following table sets forth the Company's accrued compensation, benefits and expenses as of 31 October 2017 versus the year ended 31 December 2016:

	Oct 31 2017	Dec 31 2016
Compensation and benefits	**$25,266**	$21,555
Taxes	**5,032**	3,787
Professional fees	**1,993**	1,331
Interest payable	**1,664**	769
Light and water	**1,562**	1,141
Supplies	**1,085**	206
Sales return	**237**	382
Sales commission	**196**	131
Subcontracting costs	**68**	157
Others	**12,064**	9,672
	$49,167	$39,131

140% increase in Loans and trust receipts payable ($51.4M to $123.3M)
Availments related to acquisition of STI and loans to fund expansions.

133% increase in Financial liabilities ($11.3M to $26.4M)
Put options and contingent consideration related to STI acquisition.

21% decrease in Current portion of long-term debt ($8.2M to $6.4M)
Settlement of 5-yr Eur5M loan upon maturity in Feb 2017, offset by reclass to current portion of the Cooperatief deferred payment related to EPIQ acquisition.

9% decrease in Deferred tax liabilities ($3.0M to $2.8M)
Deferred tax recognized on the increase in fair value of intellectual properties related to STI acquisition

350% increase in Other noncurrent liabilities ($0.2M to $1.0M)
Noncurrent portion of the contingent consideration related to the acquisition of STI

<u>18% decrease in Additional paid-in capital ($70.9M to $58.1M)</u>
Initial recognition of financial liability on put options debited against APIC.

<u>56% increase in Cumulative translation adjustments (-$20.6M to -$9.0M)</u>
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to appreciation of EUR against USD from 1.04 to 1.16.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended October 31, 2017 and 2016 and December 31, 2016 (As Restated)

Ratios	Formula	Oct 31, 2017	Oct 31, 2016	Dec 31, 2016 (As Restated)
(i) Current ratio	Current assets / Current Liabilities	**1.23**		1.51
(ii) Quick ratio	Current assets less inventories and other current assets/Current liabilities	**0.75**		1.05
(iii) Debt/Equity ratio	Bank debts / Equity attributable to parent	**1.05**		0.74
(iv) Asset to Equity ratio	Total Assets / Equity attributable to parent	**3.44**		2.70
(v) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**5.30**	11.88	
(vi) Profitability ratios				
GP margin	Gross Profit / Revenues	**11.3%**	11.5%	
Net profit margin	Net Income after Tax / Revenues	**2.3%**	3.7%	
EBITDA margin	EBITDA / Revenues	**6.2%**	8.1%	
Return on assets	Net Income after Tax / Total Asset	**2.4%**	3.8%	
Return on equity	Net Income after Tax / Average equity attributable to parent	**8.5%**	10.7%	
Return on common equity	Net Income after Tax / Average common equity attributable to parent	**8.5%**	10.7%	

	(in US$'000)		
	Oct 31, 2017	**Oct 31, 2016**	**Dec 31, 2016**
Current Assets	535,676		406,975
Current Liabilities	436,464		270,091
Total Assets	860,128	683,762	639,128
Bank Debts	261,410		174,187
Equity attributable to parent	250,054		236,606
Average equity attributable to parent	243,330	240,857	234,425
Average common equity attributable to parent	243,330	240,857	234,425
Revenues	889,840	690,093	
Gross Profit	100,821	79,635	
Net income attributable to equity holders of the parent	20,762	25,768	
Earnings before interest and taxes	32,673	33,789	
Interest expense	6,164	2,843	
EBITDA	55,246	55,766	

Integrated Micro-Electronics, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2016 and 2015
and Years Ended December 31, 2016, 2015
and 2014

and

Independent Auditor’s Report

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Integrated Micro-Electronics, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of the put options arising from the acquisition of VIA Optronics GmbH (VIA)

In 2016, the Group acquired 76.01% interest in VIA. The terms of the acquisition included put options that granted the non-controlling shareholder the right to sell his shares in VIA to the Group. The put options resulted in a financial liability of $11.3 million as of December 31, 2016. We considered the valuation of the put options to be a key audit matter because it requires significant judgment and is based on estimates, specifically revenue growth rate of VIA, discount rate, forecasted interest rate and the probability of trigger events occurring. Details of the transaction and the valuation of the put options are disclosed in Notes 2 and 30 to the consolidated financial statements, respectively.

Audit response

We involved our internal specialists in testing the fair values of the put options including the evaluation of the methodologies and key assumptions used. These assumptions include revenue growth rate, discount rate, forecasted interest rate and probability of trigger events occurring. We evaluated the revenue growth rate by comparing against VIA's recent financial performance, the Group's business plan for VIA and industry outlook. We tested the parameters used in the derivation of the discount rate against market data. We compared the interest rate used in forecasting the future equity value to the risk-free rate in Germany and inquired with management its basis for the probability of trigger events occurring.

Recoverability of Goodwill

As of December 31, 2016, goodwill acquired by the Group through business combinations amounted to $96.0 million, which is considered significant to the consolidated financial statements. The goodwill acquired through business combinations had been allocated to the following cash-generating units (CGUs): Integrated Micro-Electronics, Inc., Speedy-Tech Electronics, Ltd., IMI Czech Republic s.r.o. and VIA. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. In addition, management's assessment process requires significant judgement and is based on assumptions, specifically revenue growth rate, gross margin and discount rate. Management's disclosures on goodwill are included in Note 10 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in reviewing the methodologies and assumptions used. These assumptions include revenue growth rate, gross margin and discount rate. We compared the key assumptions used such as revenue growth rate against actual historical performance of the CGU and industry outlook and gross margins against historical rates. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Arnel F. de Jesus.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5908688, January 3, 2017, Makati City

February 15, 2017

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$86,548,735**	$101,532,409
Receivables - net (Note 6)	**198,202,754**	169,291,581
Inventories (Note 7)	**106,132,529**	88,255,209
Other current assets (Note 8)	**16,090,797**	10,935,700
Total Current Assets	**406,974,815**	370,014,899
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**117,405,004**	93,101,971
Goodwill (Note 10)	**96,044,622**	46,876,213
Intangible assets (Note 11)	**10,469,078**	2,398,461
Available-for-sale financial assets (Notes 12 and 30)	**740,949**	583,510
Deferred tax assets (Note 23)	**1,552,362**	1,527,537
Other noncurrent assets (Note 13)	**2,722,057**	2,032,068
Total Noncurrent Assets	**228,934,072**	146,519,760
	$635,908,887	$516,534,659
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**$195,675,304**	$152,817,225
Trust receipts and loans payable (Note 15)	**51,445,169**	42,297,356
Financial liabilities on put options (Notes 2 and 30)	**11,334,282**	–
Current portion of long-term debt (Note 16)	**8,185,053**	42,953,009
Income tax payable	**3,451,416**	2,533,995
Total Current Liabilities	**270,091,224**	240,601,585
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 16 and 30)	**121,144,043**	34,648,756
Advances from customers (Note 17)	**1,137,865**	1,123,343
Net retirement liabilities (Note 25)	**4,091,990**	5,791,612
Deferred tax liabilities (Note 23)	**1,275,651**	1,358,303
Accrued rent (Note 28)	**84,731**	454,878
Other noncurrent liabilities	**216,253**	118,418
Total Noncurrent Liabilities	**127,950,533**	43,495,310
Total Liabilities	**398,041,757**	284,096,895

(Forward)

	December 31	
	2016	2015
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common (Note 18)	**$34,935,709**	$34,933,728
Subscribed capital stock (Note 18)	**1,857,440**	1,907,584
Additional paid-in capital (Note 18)	**70,927,567**	82,527,542
Subscriptions receivable (Note 18)	**(12,334,692)**	(13,131,734)
Retained earnings unappropriated	**168,932,158**	149,437,014
Treasury stock (Note 18)	**(1,012,586)**	(1,012,586)
Reserve for fluctuation on available-for-sale financial assets	**368,531**	251,030
Cumulative translation adjustment	**(20,639,608)**	(16,544,691)
Other comprehensive loss	**(6,428,260)**	(6,295,673)
Other reserves	**–**	170,714
	236,606,259	232,242,928
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**1,260,871**	194,836
Total Equity	**237,867,130**	232,437,764
	$635,908,887	$516,534,659

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Sale of goods	**$774,643,182**	$750,514,863	$746,158,727
Sale of services	**68,323,242**	63,849,241	98,315,342
	842,966,424	814,364,104	844,474,069
COST OF SALES (Note 19)			
Cost of goods sold	**680,844,830**	663,659,753	664,495,465
Cost of services	**60,812,213**	56,672,880	86,045,599
	741,657,043	720,332,633	750,541,064
GROSS PROFIT	**101,309,381**	94,031,471	93,933,005
OPERATING EXPENSES (Note 20)	**(58,366,442)**	(56,098,525)	(64,232,479)
OTHERS – Net			
Interest expense and bank charges (Note 22)	**(3,884,454)**	(2,716,385)	(2,814,803)
Foreign exchange gains (losses) - net	**(2,437,818)**	(2,419,021)	36,401
Gains on insurance claims (Notes 7 and 9)	**360,895**	–	334,695
Interest income (Note 5)	**294,035**	658,003	196,271
Gain (loss) on sale and retirement of property, plant and equipment - net (Note 9)	**(143,034)**	165,776	14,506,946
Mark-to-market loss on put options (Note 2)	**(40,785)**	–	–
Impairment loss on goodwill (Note 10)	–	–	(7,478,980)
Miscellaneous income (loss) – net (Note 21)	**(2,269,225)**	1,054,201	710,235
	(8,120,386)	(3,257,426)	5,490,765
INCOME BEFORE INCOME TAX	**34,822,553**	34,675,520	35,191,291
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**6,942,950**	5,731,204	8,927,759
Deferred	**(136,306)**	174,204	(2,727,851)
	6,806,644	5,905,408	6,199,908
NET INCOME	**$28,015,909**	$28,770,112	$28,991,383
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**$28,115,891**	$28,789,740	$29,117,024
Non-controlling interests	**(99,982)**	(19,628)	(125,641)
	$28,015,909	$28,770,112	$28,991,383
Earnings Per Share (Note 24)			
Basic and diluted	**$0.015**	$0.015	$0.017

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
NET INCOME FOR THE YEAR	**$28,015,909**	$28,770,112	$28,991,383
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified into profit or loss in subsequent periods:			
Exchange differences arising from translation of foreign operations	**(4,094,917)**	(5,835,345)	(9,284,204)
Fair value changes on available-for-sale financial assets	**117,501**	66,911	(5,482)
	(3,977,416)	(5,768,434)	(9,289,686)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans (Note 25)	**(132,587)**	(722,109)	3,384,509
	(4,110,003)	(6,490,543)	(5,905,177)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**$23,905,906**	$22,279,569	$23,086,206
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**$24,005,888**	$22,299,197	$23,211,847
Non-controlling interests	**(99,982)**	(19,628)	(125,641)
	$23,905,906	$22,279,569	$23,086,206

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 and 2014

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common (Note 18)	**Subscribed Capital Stock** (Note 18)	**Additional Paid-in Capital** (Note 18)	**Subscriptions Receivable** (Note 18)	**Retained Earnings Unappropriated** (Note 18)	**Treasury Stock**	**Reserve for Fluctuation on Available-for-Sale Financial Assets**	**Cumulative Translation Adjustment**	**Other Comprehensive Loss** (Note 25)	**Other Reserves**	**Attributable to Non-controlling Interests**	**Total**
Balances at January 1, 2016	**$34,933,728**	**$1,907,584**	**$82,527,542**	**($13,131,734)**	**$149,437,014**	**($1,012,586)**	**$251,030**	**($16,544,691)**	**($6,295,673)**	**$170,714**	**$194,836**	**$232,437,764**
Issued shares during the year	**1,981**	**(1,981)**	–	–	–	–	–	–	–	–	–	–
Cost of share-based payments (Note 26)	–	–	**744,130**	–	–	–	–	–	–	–	–	**744,130**
Collections on subscriptions	–	–	–	**462,377**	–	–	–	–	–	–	–	**462,377**
Forfeitures during the year	–	**(48,163)**	**(286,502)**	**334,665**	–	–	–	–	–	–	–	–
Effect of recognition of financial liability arising from put options on business combination (Note 2)	–	–	**(12,057,603)**	–	–	–	–	–	–	–	–	**(12,057,603)**
Increase in non-controlling interest due to the acquisition of a subsidiary during the year (Note 2)	–	–	–	–	–	–	–	–	–	–	**1,355,604**	**1,355,604**
Acquisition of non-controlling interests (Note 2)	–	–	–	–	–	–	–	–	–	**(170,714)**	**(189,587)**	**(360,301)**
Cash dividends	–	–	–	–	**(8,620,747)**	–	–	–	–	–	–	**(8,620,747)**
	34,935,709	**1,857,440**	**70,927,567**	**(12,334,692)**	**140,816,267**	**(1,012,586)**	**251,030**	**(16,544,691)**	**(6,295,673)**	–	**1,360,853**	**213,961,224**
Net income (loss)	–	–	–	–	**28,115,891**	–	–	–	–	–	**(99,982)**	**28,015,909**
Other comprehensive income (loss)	–	–	–	–	–	–	**117,501**	**(4,094,917)**	**(132,587)**	–	–	**(4,110,003)**
Total comprehensive income (loss)	–	–	–	–	**28,115,891**	–	**117,501**	**(4,094,917)**	**(132,587)**	–	**(99,982)**	**23,905,906**
Balances at December 31, 2016	**$34,935,709**	**$1,857,440**	**$70,927,567**	**($12,334,692)**	**$168,932,158**	**($1,012,586)**	**$368,531**	**($20,639,608)**	**($6,428,260)**	**$–**	**$1,260,871**	**$237,867,130**

	Attributable to Equity Holders of the Parent Company													
	Capital Stock - Common (Note 18)	Capital Stock - Preferred (Note 18)	Subscribed Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Subscriptions Receivable (Note 18)	Retained Earnings Appropriated for Expansion (Note 18)	Retained Earnings Unappropriated (Note 18)	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Other Comprehensive Loss (Note 25)	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2015	$34,876,616	$26,601,155	$1,797,638	$80,480,981	($12,906,784)	$20,660,981	$109,481,277	($1,012,586)	$184,119	($10,709,346)	($5,573,564)	$170,714	$214,464	$244,265,665
Issued shares during the year	57,112	–	(57,112)	–	–	–	–	–	–	–	–	–	–	–
Redemption of preferred shares	–	(26,601,155)	–	–	–	–	(1,834,644)	–	–	–	–	–	–	(28,435,799)
Subscriptions during the year (Note 26)	–	–	222,366	913,925	(1,136,291)	–	–	–	–	–	–	–	–	–
Collections on subscriptions	–	–	–	–	460,634	–	–	–	–	–	–	–	–	460,634
Forfeitures during the year	–	–	(55,308)	(395,399)	450,707	–	–	–	–	–	–	–	–	–
Cost of share-based payments (Note 26)	–	–	–	1,528,035	–	–	–	–	–	–	–	–	–	1,528,035
Reversal of appropriated retained earnings	–	–	–	–	–	(20,660,981)	20,660,981	–	–	–	–	–	–	–
Reversal of cash dividends declared in advance	–	–	–	–	–	–	207,625	–	–	–	–	–	–	207,625
Cash dividends	–	–	–	–	–	–	(7,867,965)	–	–	–	–	–	–	(7,867,965)
	34,933,728	–	1,907,584	82,527,542	(13,131,734)	–	120,647,274	(1,012,586)	184,119	(10,709,346)	(5,573,564)	170,714	214,464	210,158,195
Net income (loss)	–	–	–	–	–	–	28,789,740	–	–	–	–	–	(19,628)	28,770,112
Other comprehensive income (loss)	–	–	–	–	–	–	–	–	66,911	(5,835,345)	(722,109)	–	–	(6,490,543)
Total comprehensive income (loss)	–	–	–	–	–	–	28,789,740	–	66,911	(5,835,345)	(722,109)	–	(19,628)	22,279,569
Balances at December 31, 2015	$34,933,728	$–	$1,907,584	$82,527,542	($13,131,734)	$–	$149,437,014	($1,012,586)	$251,030	($16,544,691)	($6,295,673)	$170,714	$194,836	$232,437,764

	Attributable to Equity Holders of the Parent Company													
	Capital Stock - Common (Note 18)	Capital Stock - Preferred (Note 18)	Subscribed Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Subscriptions Receivable (Note 18)	Retained Earnings Appropriated for Expansion (Note 18)	Retained Earnings Unappropriated (Note 18)	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Other Comprehensive Loss (Note 25)	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2014	$30,016,551	$26,601,155	$1,229,926	$51,263,933	($9,590,746)	$20,660,981	$83,503,457	($1,012,585)	$189,601	($1,425,142)	($8,958,073)	$170,714	($2,604,272)	$190,045,500
Issued shares during the year	4,860,065	–	(70,580)	31,131,655	–	–	–	–	–	–	–	–	–	35,921,140
Subscriptions during the year (Note 26)	–	–	708,590	3,479,175	(4,187,765)	–	–	–	–	–	–	–	–	–
Transaction costs on shares issuance	–	–	–	(1,502,981)	–	–	–	–	–	–	–	–	–	(1,502,981)
Cost of share-based payments (Note 26)	–	–	–	165,006	–	–	–	–	–	–	–	–	–	165,006
Accretion of subscriptions receivable	–	–	–	79,418	(79,418)	–	–	–	–	–	–	–	–	–
Collections on subscriptions	–	–	–	–	328,621	–	–	–	–	–	–	–	–	328,621
Forfeitures during the year	–	–	(70,298)	(552,226)	622,524	–	–	–	–	–	–	–	–	–
Acquisition of non-controlling interests (Note 2)	–	–	–	(3,582,999)	–	–	–	–	–	–	–	–	2,944,377	(638,622)
Cash dividends	–	–	–	–	–	–	(3,139,204)	–	–	–	–	–	–	(3,139,204)
Acquisition of treasury stock	–	–	–	–	–	–	–	(1)	–	–	–	–	–	(1)
	34,876,616	26,601,155	1,797,638	80,480,981	(12,906,784)	20,660,981	80,364,253	(1,012,586)	189,601	(1,425,142)	(8,958,073)	170,714	340,105	221,179,459
Net income (loss)	–	–	–	–	–	–	29,117,024	–	–	–	–	–	(125,641)	28,991,383
Other comprehensive income (loss)	–	–	–	–	–	–	–	–	(5,482)	(9,284,204)	3,384,509	–	–	(5,905,177)
Total comprehensive income (loss)	–	–	–	–	–	–	29,117,024	–	(5,482)	(9,284,204)	3,384,509	–	(125,641)	23,086,206
Balances at December 31, 2014	$34,876,616	$26,601,155	$1,797,638	$80,480,981	($12,906,784)	$20,660,981	$109,481,277	($1,012,586)	$184,119	($10,709,346)	($5,573,564)	$170,714	$214,464	$244,265,665

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$34,822,553**	$34,675,520	$35,191,291
Adjustments for:			
Depreciation of property, plant and equipment (Note 9)	**22,472,246**	21,016,819	20,859,849
Interest expense (Note 22)	**3,297,733**	2,208,551	2,739,455
Amortization of intangible assets (Note 11)	**1,989,548**	2,231,851	2,120,434
Cost of share-based payments (Note 26)	**744,130**	1,528,035	165,006
Gain on insurance claims (Notes 7 and 9)	**(360,895)**	–	(334,695)
Interest income (Note 5)	**(294,035)**	(658,003)	(196,271)
Loss (gain) on sale and retirement of property, plant and equipment (Note 9)	**143,034**	(165,776)	(14,506,946)
Loss (gain) on derivative transactions (Note 31)	**113,455**	(225,162)	35,096
Unrealized foreign exchange losses (gains) - net	**(57,843)**	412,921	385,512
Impairment on goodwill (Note 10)	**–**	–	7,478,980
Impairment on available-for-sale financial assets (Note 12)	**–**	–	1,753,589
Write-off of available-for-sale financial assets (Note 12)	**–**	–	1,350,368
Operating income before working capital changes	**62,869,926**	61,024,756	57,041,668
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(10,639,358)**	18,436,043	(21,670,295)
Inventories	**(13,358,078)**	2,054,060	785,080
Other current assets	**(3,414,550)**	1,068,255	4,748,248
Increase (decrease) in:			
Accounts payable and accrued expenses	**10,771,185**	(26,235,224)	7,529,186
Advances from third party	**6,538,462**	–	–
Advances from customers	**2,029,988**	(301,952)	(299,476)
Retirement liabilities	**(1,569,301)**	654,925	1,398,735
Accrued rent	**(370,147)**	(25,817)	37,668
Other noncurrent liabilities	**97,835**	(63,499)	(1,638)
Net cash generated from operations	**52,955,962**	56,611,547	49,569,176
Income tax paid	**(6,025,529)**	(6,848,877)	(6,925,623)
Interest paid	**(3,037,688)**	(2,148,829)	(2,761,850)
Interest received	**306,506**	667,492	288,192
Net cash provided by operating activities	**44,199,251**	48,281,333	40,169,895

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 9)	**($48,344,218)**	($35,120,182)	($24,213,138)
Intangible assets (Note 11)	**(3,886,107)**	(659,794)	(1,287,611)
Acquisition through business combination, net of cash acquired (Note 2)	**(46,878,629)**	–	–
Capitalized development costs, excluding depreciation (Notes 11 and 33)	**(4,004,265)**	–	–
Proceeds from sale and retirement of property, plant and equipment	**289,493**	672,955	19,193,171
Decrease (increase) in other noncurrent assets	**(689,989)**	(154,315)	705,533
Net cash used in investing activities	**(103,513,715)**	(35,261,336)	(5,602,045)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of loans	**265,905,842**	50,465,041	24,299,485
Payments of:			
Loans payable	**(129,611,778)**	(38,053,777)	(16,301,258)
Long-term debt	**(83,007,267)**	(2,397,400)	(2,903,578)
Dividends paid to equity holders of the Parent Company (Note 18)	**(8,620,747)**	(8,559,041)	(3,099,043)
Collections of subscriptions receivable (Note 18)	**462,377**	460,634	328,621
Cash paid on acquisition of non-controlling interests (Note 2)	**(360,301)**	–	(638,622)
Settlement of derivatives (Note 31)	**(114,400)**	169,612	(75,702)
Redemption of preferred shares (Note 18)	**–**	(28,435,799)	–
Decrease in obligations under finance lease	**–**	(2,257,583)	(1,452,792)
Proceeds from shares issuance (Note 18)	**–**	–	35,921,140
Transaction costs on shares issuance (Note 18)	**–**	–	(1,502,981)
Acquisition of treasury shares	**–**	–	(1)
Net cash provided by (used in) financing activities	**44,653,726**	(28,608,313)	34,575,269
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**(322,936)**	(504,766)	(560,227)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(14,983,674)**	(16,093,082)	68,582,892
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**101,532,409**	117,625,491	49,042,599
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**$86,548,735**	$101,532,409	$117,625,491

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Integrated Micro-Electronics, Inc. (the "Parent Company"), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the "Group"). The Parent Company is 50.64% owned by AYC Holdings, Ltd. (AYC), a corporation incorporated in the British Virgin Islands and a wholly-owned subsidiary of AC International Finance Ltd. under the umbrella of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 49.01% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is North Science Avenue, Laguna, Technopark, Biñan, Laguna.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010. It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of printed circuit board assemblies (PCBA), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems. It also provides the following solutions: product design and development, test and systems development, automation, advanced manufacturing engineering, and power module assembly, among others. It serves diversified markets that include those in the automotive, industrial, medical, storage device, and consumer electronics industries.

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

On April 16, 2009, IMI Singapore established its Philippine Regional Operating Headquarters ("IMI International ROHQ" or "IMI ROHQ"). It serves as an administrative, communications and coordinating center for the affiliates and subsidiaries of the Group.

On July 29, 2011, the Parent Company, through its indirect subsidiary, Cooperatief IMI Europe U.A. (Cooperatief) acquired Integrated Micro-Electronics Bulgaria EOOD (formerly EPIQ Electronic Assembly EOOD) (IMI BG), Integrated Micro-Electronics Czech Republic s.r.o. (formerly EPIQ CZ s.r.o.) (IMI CZ) and Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. (formerly EPIQ MX, S.A.P.I. de C.V.) (IMI MX) (collectively referred to as "IMI EU/MX Subsidiaries"). IMI EU/MX Subsidiaries design and produce PCBA, engage in plastic injection, embedded toolshop, supply assembled and tested systems and sub-systems which include drive and control elements for automotive equipment, household appliances, and industrial equipment, among others. IMI EU/MX Subsidiaries also provide engineering, test and system development and logistics management services.

On September 14, 2016, Cooperatief acquired a 76.01% ownership interest in VIA Optronics GmbH (VIA), a Germany-based company with operations in Germany and China and sales offices in the USA and Taiwan. VIA is a leading provider for optical bonding, a key technology to lower reflections thus enabling sunlight readability and increasing robustness, which is mandatory to allow thinner and lighter portable display solutions. The acquisition will allow the Group to strengthen its partnerships with customers by offering complementary automotive camera and display monitor solutions for advanced driver assistance systems. Once combined, the Group together with VIA will have the scale to introduce patented technology into automotive camera monitor systems for increased safety.

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

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

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

The consolidated financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the Parent Company's Board of Directors (BOD) on February 15, 2017.

2. Group Information

Information about Subsidiaries

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

	Percentage of Ownership			Country of	
Subsidiary	**2016**	2015	2014	Incorporation	Functional Currency
IMI Singapore	**100.00%**	100.00%	100.00%	Singapore	United States Dollar (USD)
IMI ROHQ	**100.00%**	100.00%	100.00%	Philippines	USD
STEL Group	**100.00%**	100.00%	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD) [a]	**100.00%**	100.00%	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE)	**100.00%**	99.48%	99.48%	China	USD
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Chong Qing) Co. Ltd. (STCQ) [b]	**100.00%**	100.00%	100.00%	China	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	100.00%	China	USD
Speedy-Tech (Philippines), Inc. (STPH) [c]	**100.00%**	100.00%	100.00%	Philippines	USD
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	100.00%	USA	USD
Monarch Elite Ltd. (Monarch)	**100.00%**	100.00%	100.00%	Hong Kong	USD
Cooperatief [d]	**100.00%**	100.00%	100.00%	Netherlands	Euro (EUR)
IMI BG[e]	**100.00%**	100.00%	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	**100.00%**	100.00%	100.00%	Bulgaria	EUR
IMI CZ	**100.00%**	100.00%	100.00%	Czech Republic	Czech Koruna (CZK)
IMI MX [f]	**100.00%**	100.00%	100.00%	Mexico	USD
Integrated Micro-Electronics Manufactura S.A.P.I. de C.V.	**100.00%**	100.00%	100.00%	Mexico	Mexican Peso (MXP)
IMI France SAS (IMI France)	**100.00%**	100.00%	100.00%	France	EUR

(Forward)

Subsidiary	Percentage of Ownership 2016	2015	2014	Country of Incorporation	Functional Currency
VIA	**76.01%**	–	–	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**76.01%**	–	–	China	RMB
VIA Optronics LLC (VIA LLC)	**76.01%**	–	–	USA	USD
IMI USA	**100.00%**	100.00%	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	100.00%	Japan	USD
PSi	**100.00%**	100.00%	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [g]	**40.00%**	40.00%	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [g]	**64.00%**	64.00%	64.00%	Philippines	USD

[a] *On August 1, 2014, IMI CD changed its functional currency from USD to RMB.*
[b] *On June 30, 2014, STEL Group's BOD passed a resolution to wind up STCQ. The dissolution was completed in 2016.*
[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 January 1, 2016, IMI BG changed its functional currency from Bulgarian Lev (BGN) to EUR*
[f] *On March 1, 2014, IMI MX changed its functional currency from MXP to USD.*
[g] *On June 21, 2012, the BOD of PSiTech Realty and Pacsem Realty authorized the dissolution of PSiTech Realty and Pacsem Realty, subject to the Philippine SEC approval. As of February 15, 2017, such approval is still pending.*

Business Combinations

Acquisition of VIA

On August 16, 2016, Cooperatief and the shareholders of VIA entered into a Sale and Purchase Agreement (SPA) under which Cooperatief will acquire a 76.01% stake in VIA for a total cash consideration of €47.79 million ($53.46 million), while the remaining 23.99% to be retained by the company founder.

The SPA also provided details regarding the sale of additional shares from the non-controlling interest through the grant of put and call options, as follows:

Options	Description	Trigger Events	Option Shares	Option Price
Call Option	Right of IMI to buy all shares held by the non-controlling shareholder	• Termination for a cause or expiration of the service agreement	All shares of non-controlling shareholder at the date of exercise	FV of the shares at the time of exercise determined either by agreement by the parties or by an appointed auditor or expert
Exit put option	Right of the non-controlling shareholder to sell all shares held to IMI	• Termination for a cause or expiration of the service agreement • Share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%	All shares of non-controlling shareholder at the date of exercise	FV of the shares at the time of exercise determined either by agreement by the parties or by an appointed auditor or expert
5% put option	Right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA	• Exercisable any time between 1st and 3rd anniversary of the agreement • If prior to the 3rd anniversary, the share capital of VIA is increased, the option may be exercised within 3 months from registration of the capital increase	One share with a nominal value of €3,666	€3.1 million

Management assessed that it does not have present access to the returns associated with the non-controlling interest. The Group takes the view that the non-controlling interest should be accounted for in accordance with PFRS 10, *Consolidated Financial Statements,* and must be presented within equity, separate from the equity of the owners of the Parent Company, until the put option is exercised. The Group has elected to measure non-controlling interest in the acquiree at the proportionate share of the non-controlling interest in the recognized amounts of the acquiree's identifiable net assets. The carrying amount of non-controlling interest changes due to allocation of profit or loss, changes in other comprehensive income and dividends declared for the reporting period.

The call option is accounted for under PAS 39, *Financial Instruments: Recognition and Measurement,* as a derivative asset carried at fair value through profit or loss. Given that the call option is exercisable at the fair value of the shares at the exercise date, the value of the derivative is nil. The financial liability for the put option is accounted for under PAS 39 like any other written put option on equity instruments. On initial recognition, the corresponding debit is made to a component of equity attributable to the parent, not to the non-controlling interest. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value payable on exercise are recognized in profit or loss also attributable to the parent.

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

The Group accounted for the put options as financial liabilities measured at the present value of the redemption amount, with a debit to “Additional paid-in capital” account, amounting to $12.06 million on initial valuation. Mark-to-market loss from valuation date until December 31, 2016 amounting to $0.40 million was recognized in the consolidated statements of income.

The provisional values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows:

Assets	
Cash and cash equivalents	$6,584,881
Receivables	18,744,735
Inventories	5,448,266
Prepayments and other current assets	660,401
Property, plant and equipment	3,149,309
Intangible asset	493,368
Deferred tax asset	558,287
Other noncurrent assets	158,792
	35,798,039
Liabilities	
Accounts payable	18,392,913
Accrued expenses	1,757,545
Current portion of long-term debt	125,854
Loans payable	8,477,907
Other current liabilities	1,183,946
Long-term debt	209,169
	30,147,334
Net Assets	**$5,650,705**
Cost of acquisition	$53,463,510
Less: Share in the fair value of net assets acquired (76.01%)	4,295,101
Provisional goodwill (Note10)	**$49,168,409**
Non-controlling interest (23.99%)	**$1,355,604**

The purchase price allocation for the acquisition of VIA has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This include information based on appraisal reports for property, plant and equipment and information necessary for the valuation of identified intangible assets (patents, trademark and customer relationships). Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property, plant and equipment, intangible assets and goodwill. The provisional goodwill recognized on the acquisition can be attributed to its strong position to address the growing demand for displays in automotive and industrial outdoor applications and its experience in high reliability markets that matches the Group's existing offerings in the automotive, industrial and medical markets.

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date. The comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

Analysis of cash flows on acquisition:

Cost of acquisition	$53,463,510
Less: Cash acquired from the subsidiary	6,584,881
Net cash flow (included in cash flows from investing activities)	**$46,878,629**

Acquisition-related costs, which consist of professional and legal fees, financing and transaction costs, representation and travel expenses amounting to $1.36 million were recognized as expense in 2016.

From the date of acquisition up to December 31, 2016, the Group's share in VIA's revenue and net loss amounted to $19.41 million and $0.39 million, respectively. If the combination had taken place at the beginning of 2016, the Group's total revenue would have increased by $64.65 million, while net income before tax would have decreased by $0.08 million.

Acquisition of Non-controlling Interests

Acquisition of additional interest in SZSTE

On December 26, 2016, STEL acquired the remaining non-controlling interest in SZSTE for a total consideration of $0.36 million.

The details of the transaction are as follows:

Non-controlling interest acquired	$189,587
Consideration paid to the non-controlling shareholder	(360,301)
Total amount recognized in "Other reserves" account within equity	($170,714)

Acquisition of additional interest in PSi

Effective December 31, 2014, the Parent Company acquired the remaining 16.75% interest in PSi from the minority shareholders, Narra Venture Capital II, LP (Narra VC) and Narra Associates II Limited, for a total consideration of $500,000. The purchase of the remaining shares resulted to IMI's full ownership of IMI in PSi.

The details of the transaction are as follows:

Non-controlling interest acquired	($3,144,660)
Consideration paid to the non-controlling shareholder	(500,000)
Total amount recognized in "Additional paid-in capital" account within equity	($3,644,660)

Acquisition of additional interest in Microenergia
In October 2014, IMI BG acquired the remaining 30% ownership interest in Microenergia for a total consideration of $138,622.

The details of the transaction are as follows:

Non-controlling interest acquired	$200,283
Consideration paid to the non-controlling shareholder	(138,622)
Total amount recognized in "Additional paid-in capital" account within equity	$61,661

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in United States Dollar (USD) and all values are rounded to the nearest dollar, unless otherwise indicated.

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
a. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
b. Exposure, or rights, to variable returns from its involvement with the investee, and
c. The ability to use its power over the investee to affect its returns

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

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

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

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

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

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

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also 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 parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

These amendments do not have any impact to the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other 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 other comprehensive income 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.

  These amendments do not have any material impact to the Group.

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

  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.

  These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

  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 applied retrospectively and do not have any impact to the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

  The amendments 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.

  These amendments do not have any impact to the Group's consolidated financial statements.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

  - Amendment to 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.

  - Amendment to 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 for continuing involvement 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.

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

    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.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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 beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  These amendments are not expected to have any material impact to the Group.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any material impact to the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of PFRS 15.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, 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.

  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 Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)*

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not expected to have any impact on the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

These amendments are not expected to have any impact to the Group.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

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

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

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

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for 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 December 31, 2016 and 2015 consist of financial assets and financial liabilities at FVPL, loans and receivables, AFS financial assets, 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.

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.

The Group uses currency forwards to hedge its risks associated with foreign currency fluctuations. Such are accounted for as non-hedge 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.

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

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.

This accounting policy relates primarily to the Group's derivative assets and liabilities and financial liabilities on put options.

Loans and receivables
Loans and receivables are non-derivative 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 the “Other noncurrent assets” account.

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, advances from customers, advances from third party, statutory payables and taxes payable), trust receipts and loans payable and long-term debt.

Fair Value Measurement
The Group measures derivatives, AFS financial assets and the financial liabilities on put options at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 30.

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.

<u>Offsetting of Financial Instruments</u>
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.

<u>Derecognition of Financial Instruments</u>
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.

Noncurrent Assets Held for Sale
The Group classifies noncurrent asset as held for sale if its carrying amount will be recovered mainly through selling the asset rather than through continuing use.

The following conditions must be met for an asset to be classified as held for sale:
- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable within 12 months of classification as held for sale;
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

The Group measures noncurrent asset held for sale at the lower of its carrying amount and fair value less cost to sell.

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

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

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

	Years
Buildings	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 cash-generating unit (CGU), or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.
Each unit or group of units to which the goodwill is allocated should:

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

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

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

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

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

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

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

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

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

	Years
Customer relationships	5
Unpatented technology	5
Computer software	3
Patents and trademarks	5
Product development cost	7

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

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

<u>Impairment of Nonfinancial Assets</u>
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. Provisional goodwill allocated to a CGU is also tested for impairment even if the fair value exercise is not complete during the year.

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

Provisions

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

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

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

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

Equity

Capital stock

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

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

Additional paid-in capital

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

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 expenses
Interest expense is recognized in profit and loss for all interest-bearing financial instruments using the EIR method.

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 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.

<u>Income Taxes</u>
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, Czech Republic, Mexico and Germany 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.

VIA
VIA only has defined contribution plans relating to statutory pension.

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

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

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

Operating Segments
The Group is organized and managed separately according to geographical locations of businesses. The geographical segments are segregated as follows: Philippines, Singapore/China, Europe, Mexico, Germany (VIA), and USA/ Japan. These geographical businesses are the basis upon which the Group reports its operating segment information presented in Note 27.

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. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Product development costs

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

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

Effective January 1, 2016, IMI BG changed its functional currency from BGN to EUR. Effective March 1, 2014, IMI MX changed its functional currency from MXP to USD while IMICD changed its functional currency from USD to RMB on August 1, 2014. Management believes that the change in the functional currency was necessary to define the currency of the primary economic environment in which these entities operate.

Operating lease commitments - Group as lessee
The Group has entered into contracts with various lease contracts for office spaces and land. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Further details are disclosed in Note 28.

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

Further details are disclosed in Note 32.

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

Fair value of the put options financial liabilities
The acquisition of VIA during the year included call and put options over the non-controlling interest. These options are considered when determining whether the entity has obtained control over the acquiree if in substance the entity already has access to the returns associated with that ownership interest. Management assessed that the options do not give the Group present access to the returns associated with the non-controlling interest in a subsidiary and, therefore, accounted for the non-controlling interest under PFRS 10, while the financial liability was accounted for under PAS 39 measured at the present value of the redemption amount, with a debit to a component of equity attributable to the parent.

Management assessed that the discounted, probability-weighted cash flow methodology is the appropriate model to derive the present value of the redemption amount. The key estimates and assumptions used in the valuation include the current equity value of the acquiree, forecasted interest rate and probability of trigger events occurring. In determining the current equity value, management is required to make an estimate of the expected future cash flows of the acquiree using the forecasted revenue growth rate and also to choose a suitable discount rate in order to calculate the present value of cash flows.

Further details on the valuation of the put options are disclosed in Note 30.

Impairment of receivables
The Group reduces the carrying amount of its receivables through the use of an allowance account if there is objective evidence that an impairment loss on receivables has been incurred, based on the result of the individual impairment assessment. Factors considered are payment history and past due status.

Further details on receivables are disclosed in Note 6.

Estimating NRV of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale to determine the NRV. In the event that NRV is lower than cost, the decline is recognized as an expense.

Further details on inventories are disclosed in Note 7.

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

Further details on property, plant and equipment and intangible assets are disclosed in Notes 9 and 11, respectively.

Evaluation of impairment of nonfinancial assets
The Group reviews property, plant and equipment, goodwill and intangible assets for impairment of value. Impairment for goodwill is assessed at least annually. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property, plant and equipment, and intangible assets. For goodwill, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows. Further details on property, plant and equipment, goodwill and intangible assets are disclosed in Notes 9, 10 and 11, respectively.

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

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

Further details on taxes are disclosed in Note 23.

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

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

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

Further details on retirement and other employee benefits are disclosed in Note 25.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company.

Further details on ESOWN are disclosed in Note 26.

5. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**$83,701**	$34,756
Cash in banks	**75,816,054**	67,159,479
Short-term investments	**10,648,980**	34,338,174
	$86,548,735	$101,532,409

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

Interest income earned from cash in banks and short-term investments amounted to $0.29 million in 2016, $0.66 million in 2015 and $0.20 million in 2014.

6. Receivables - net

This account consists of:

	2016	2015
Trade	**$192,152,117**	$165,831,122
Nontrade	**3,804,516**	1,737,293
Receivable from insurance	**1,860,624**	1,066,414
Receivable from employees	**553,745**	735,464
Due from related parties (Note 29)	**299,713**	196,341
Others	**1,265,782**	1,420,361
	199,936,497	170,986,995
Less allowance for doubtful accounts	**1,733,743**	1,695,414
	$198,202,754	$169,291,581

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 80 days from invoice date.

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

Receivable from insurance
Insurance for damages to property, plant, and equipment, inventories and business interruptions caused by fire in January 2016 amounting to $1.20 million was claimed by STJX, $0.41 million of which have been collected in 2016 (see Notes 7 and 9).

Claims to damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to $1.07 million was fully provided with allowance for doubtful accounts.

Others
Others include government creditable tax and receivables from the plan assets managed by BPI.

Allowance for Doubtful Accounts
Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of $1.73 million and $1.70 million as of December 31, 2016 and 2015, respectively, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Movements in the allowance for doubtful accounts are as follows:

	December 31, 2016				
	Trade	**Nontrade**	**Receivable from Employees**	**Receivable from Insurance**	**Total**
At beginning of year	**$543,800**	**$67,762**	**$17,438**	**$1,066,414**	**$1,695,414**
Provisions (reversals)	**217,768**	**–**	**(13,161)**	**–**	**204,607**
Accounts written-off	**(9,737)**	**–**	**–**	**–**	**(9,737)**
Foreign currency exchange difference	**(156,278)**	**(5,188)**	**80**	**4,845**	**(156,541)**
At end of year	**$595,553**	**$62,574**	**$4,357**	**$1,071,259**	**$1,733,743**

	December 31, 2015				
	Trade	Nontrade	Receivable from Employees	Receivable from Insurance	Total
At beginning of year	$1,020,047	$72,075	$17,895	$1,066,423	$2,176,440
Provisions (reversals)	442,247	(4,312)	409	–	438,344
Accounts written-off	(303,823)	–	–	–	(303,823)
Foreign currency exchange difference	(614,671)	(1)	(866)	(9)	(615,547)
At end of year	$543,800	$67,762	$17,438	$1,066,414	$1,695,414

Provisions (reversals) during the year form part of “Operating expenses” account and are included under “Facilities costs and others” (see Note 21).

7. **Inventories**

This account consists of:

	2016	2015
Raw materials and supplies	**$75,849,560**	$64,279,114
Work-in-process	**17,195,051**	15,814,870
Finished goods	**19,654,056**	17,696,686
	112,698,667	97,790,670
Less allowance for:		
Inventory obsolescence	**6,331,871**	9,351,194
Decline in value of inventories	**234,267**	184,267
	6,566,138	9,535,461
	$106,132,529	$88,255,209

The cost of the inventories carried at NRV amounted to $24.06 million and $30.17 million as of December 31, 2016 and 2015, respectively. The amount of inventories recognized as an expense under “Cost of goods sold and services” account amounted to $571.52 million in 2016, $546.90 million in 2015 and $547.25 million in 2014 (see Note 19).

In 2016, STJX claimed and collected an insurance amounting to $0.41 million for the damaged inventories caused by a fire in January 2016. The net book value of the affected stocks amounted to $0.26 million.

In 2014, the Parent Company claimed and collected an insurance amounting to $0.43 million for the damaged inventories caused by a typhoon in August 2013. The total cost of affected stocks amounted to $0.25 million while the related allowance for inventory obsolescence amounted to $0.15 million.

Movements in the allowance for inventory obsolescence are as follows:

	2016	2015
At beginning of year	**$9,351,194**	$7,811,593
Provisions (reversals) (Note 21)	**(2,660,809)**	1,591,170
Write-offs	**(358,514)**	(51,569)
At end of year	**$6,331,871**	$9,351,194

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

	2016	2015
At beginning of year	**$184,267**	$84,267
Provisions (Note 21)	**50,000**	100,000
At end of year	**$234,267**	$184,267

The Group recognized gains from sale of materials amounting to $0.05 million in 2016, $0.08 million in 2015, and $0.08 million in 2014. Gains from sale of materials are included under “Miscellaneous income (loss) - net” account in the consolidated statement of income.

8. Other Current Assets

This account consists of:

	2016	2015
Advances to suppliers	**$8,838,927**	$3,368,484
Tax credits	**3,585,118**	4,845,950
Prepayments	**2,372,073**	1,944,718
Input taxes	**524,748**	710,431
Noncurrent assets held for sale (Note 9)	**362,124**	–
Derivative assets (Notes 30 and 31)	**67,062**	66,117
Others	**340,745**	–
	$16,090,797	$10,935,700

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

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

Noncurrent assets held for sale relates to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the plan to relocate its manufacturing facility in Liantang, Luohu, in line with the urban redevelopment projects of the Shenzhen City government. The sale is subject to certain conditions which are expected to be completed within the next year. The carrying value of the manufacturing facility amounted to $0.36 million included as part of building and improvement (see Note 9).

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.

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

Movements in this account are as follows:

	2016						
	Buildings and Improvements	**Machineries and Facilities Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Tools and Instruments**	**Construction in Progress**	**Total**
Cost							
At beginning of year	**$72,113,546**	**$108,898,005**	**$17,900,646**	**$1,468,326**	**$5,489,876**	**$9,509,131**	**$215,379,530**
Additions	**7,975,777**	**26,216,435**	**1,901,351**	**684,538**	**2,234,803**	**9,331,314**	**48,344,218**
Acquisition through business combination (Note 2)	**137,613**	**1,948,746**	**166,896**	**7,255**	**98,158**	**790,641**	**3,149,309**
Disposals	**(365,758)**	**(9,971,185)**	**(480,689)**	**(400,842)**	**(367,119)**	**–**	**(11,585,593)**
Asset held for sale (Note 8)	**(6,491,739)**	**–**	**–**	**–**	**–**	**–**	**(6,491,739)**
Transfers	**2,409,552**	**7,270,342**	**573,303**	**3,885**	**260,898**	**(10,517,980)**	**–**
Foreign currency exchange difference	**(538,686)**	**(2,370,350)**	**(135,044)**	**(62,579)**	**(161)**	**(256,140)**	**(3,362,960)**
At end of year	**75,240,305**	**131,991,993**	**19,926,463**	**1,700,583**	**7,716,455**	**8,856,966**	**245,432,765**
Accumulated depreciation							
At beginning of year	**39,524,650**	**64,001,044**	**13,632,345**	**538,637**	**2,848,671**	**–**	**120,545,347**
Depreciation	**3,749,666**	**16,389,876**	**1,648,253**	**478,473**	**205,978**	**–**	**22,472,246**
Depreciation capitalized as development cost	**235,940**	**1,578,553**	**46,738**	**5,493**	**29,001**	**–**	**1,895,725**
Disposals	**(278,258)**	**(9,447,148)**	**(469,979)**	**(379,189)**	**(2,301)**	**–**	**(10,576,875)**
Asset held for sale (Note 8)	**(6,129,615)**	**–**	**–**	**–**	**–**	**–**	**(6,129,615)**
Transfers	**(884)**	**(261,715)**	**10,888**	**–**	**251,711**	**–**	**–**
Foreign currency exchange difference	**(87,202)**	**(1,673,075)**	**(97,814)**	**(52,721)**	**(467)**	**–**	**(1,911,279)**
At end of year	**37,014,297**	**70,587,535**	**14,770,431**	**590,693**	**3,332,593**	**–**	**126,295,549**
Accumulated impairment losses							
At beginning and end of year	**736,565**	**983,421**	**12,226**	**–**	**–**	**–**	**1,732,212**
Net book value	**$37,489,443**	**$60,421,037**	**$5,143,806**	**$1,109,890**	**$4,383,862**	**$8,856,966**	**$117,405,004**

	2015						
	Buildings and Improvements	Machineries and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Cost							
At beginning of year	$67,855,568	$107,813,052	$17,072,026	$1,348,489	$4,033,096	$3,166,512	$201,288,743
Additions	5,114,407	15,796,577	1,688,760	357,988	2,055,485	10,106,965	35,120,182
Disposals	(153,057)	(14,112,822)	(608,948)	(188,637)	(582,097)	(101,934)	(15,747,495)
Retirement	–	–	(32,678)	–	–	–	(32,678)
Transfers	157,786	3,152,302	9,275	15,140	(16,608)	(3,317,895)	–
Foreign currency exchange difference	(861,158)	(3,751,104)	(227,789)	(64,654)	–	(344,517)	(5,249,222)
At end of year	72,113,546	108,898,005	17,900,646	1,468,326	5,489,876	9,509,131	215,379,530
Accumulated depreciation							
At beginning of year	36,259,558	65,122,088	12,865,245	296,404	3,325,306	–	117,868,601
Depreciation	3,668,656	15,241,827	1,542,250	471,850	92,236	–	21,016,819
Disposals	(149,789)	(13,758,091)	(606,493)	(183,395)	(568,871)	–	(15,266,639)
Retirement	–	–	(6,354)	–	–	–	(6,354)
Foreign currency exchange difference	(253,775)	(2,604,780)	(162,303)	(46,222)	–	–	(3,067,080)
At end of year	39,524,650	64,001,044	13,632,345	538,637	2,848,671	–	120,545,347
Accumulated impairment losses							
At beginning and end of year	736,565	983,421	12,226	–	–	–	1,732,212
Net book value	$31,852,331	$43,913,540	$4,256,075	$929,689	$2,641,205	$9,509,131	$93,101,971

The Group capitalized depreciation related to development phase for certain projects amounting to $1.90 million in 2016. The capitalized cost was part of product development under “Intangible assets” account.

In 2016, STJX claimed an insurance amounting to $0.70 million as proceeds for the fixed assets damaged by a fire in January 2016. The net book value of the affected assets amounted to $0.44 million.

The Group recognized a loss from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments amounting to $0.14 million in 2016, and gains amounting to $0.17 million in 2015 and $0.18 million in 2014. The 2016 loss is net of the proceeds from the disposal of scrap equipment related to the fire amounting to $0.09 million.

As of December 31, 2016 and 2015, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $212.82 million and $161.79 million, respectively. Depreciation expense included in “Cost of goods sold and services” and “Operating expenses” accounts follows:

	2016	2015	2014
Cost of goods sold and services (Note 19)	**$20,036,576**	$18,570,445	$18,332,968
Operating expenses (Note 20)	**2,435,670**	2,446,374	2,526,881
	$22,472,246	$21,016,819	$20,859,849

10. **Goodwill**

As of December 31, 2016 and 2015, goodwill acquired through business combinations had been allocated to the following CGUs:

	2016	2015
VIA	**$49,168,409**	$–
STEL	**45,128,024**	45,128,024
Parent Company	**1,097,776**	441,166
IMI CZ	**650,413**	650,413
IMI USA	**–**	656,610
	$96,044,622	$46,876,213

As mentioned in Note 4, goodwill is tested for impairment annually as of September 30 every year and when circumstances indicate that the carrying amount is impaired.

<u>VIA, STEL and IMI CZ</u>
The recoverable amounts of these CGUs have been based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rates applied to cash flow projections are as follows:

	2016	2015
VIA	**11.20%**	–
STEL	**11.89%**	13.36%
IMI CZ	**9.56%**	8.79%
IMI USA	**–**	10.87%

Cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1%, which does not exceed the compound annual growth rate (CAGR) for the global EMS industry.

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

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

No impairment loss was assessed for VIA, STEL and IMI CZ in 2016, 2015 and 2014.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of VIA, STEL and IMI CZ, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of these CGUs to exceed their recoverable amount.

Parent Company and IMI USA
The goodwill of the Parent Company pertains to its acquisition of M. Hansson Consulting, Inc. (MHCI) in 2006. MHCI was subsequently merged to the Parent Company as testing and development department. The recoverable amount was based on the market price of the Parent Company's shares at valuation date less estimated costs to sell.

The impairment test for the goodwill of IMI USA was previously based on value-in-use calculations using cash flow projections of IMI USA covering a 5-year period. In 2016, the Group changed the basis of the recoverable amount using the market price of the Parent Company's shares at valuation date less estimated costs to sell (see Note 4).

The Group re-assessed the basis of recoverable amounts of the goodwill of IMI USA. The assessment resulted to change in activities of the CGU from an operating segment to a global support entity.

The comparison of the recoverable amounts and the carrying amounts resulted to no impairment loss in 2016, 2015 and 2014.

11. Intangible Assets

Movements in this account are as follows:

	December 31, 2016					
	Customer Relationships	**Unpatented Technology**	**Computer Software**	**Patents and Trademarks**	**Product Development**	**Total**
Cost						
At beginning of year	**$19,666,617**	**$100,000**	**$5,384,182**	**$–**	**$–**	**$25,150,799**
Additions	**–**	**–**	**3,886,107**	**–**	**–**	**3,886,107**
Capitalized development costs	**–**	**–**	**–**	**–**	**5,899,990**	**5,899,990**
Acquisition through business combination (Note 2)	**–**	**–**	**–**	**493,368**	**–**	**493,368**
Foreign currency exchange difference	**–**	**–**	**(260,613)**	**(29,134)**	**–**	**(289,747)**
At end of year	**19,666,617**	**100,000**	**9,009,676**	**464,234**	**5,899,990**	**35,140,517**
Accumulated amortization						
At beginning of year	**18,877,177**	**100,000**	**3,775,161**	**–**	**–**	**22,752,338**
Amortization	**789,440**	**–**	**1,132,321**	**67,787**	**–**	**1,989,548**
Foreign currency exchange difference	**–**	**–**	**(67,597)**	**(2,850)**	**–**	**(70,447)**
At end of year	**19,666,617**	**100,000**	**4,839,885**	**64,937**	**–**	**24,671,439**
Net book value	**$–**	**$–**	**$4,169,791**	**$399,297**	**$5,899,990**	**$10,469,078**

	December 31, 2015			
	Customer Relationships	Unpatented Technology	Computer Software	Total
Cost				
At beginning of year	$19,666,617	$100,000	$4,854,715	$24,621,332
Additions	–	–	659,794	659,794
Foreign currency exchange difference	–	–	(130,327)	(130,327)
At end of year	19,666,617	100,000	5,384,182	25,150,799
Accumulated amortization				
At beginning of year	17,523,854	100,000	2,994,733	20,618,587
Amortization	1,353,323	–	878,528	2,231,851
Foreign currency exchange difference	–	–	(98,100)	(98,100)
At end of year	18,877,177	100,000	3,775,161	22,752,338
Net book value	$789,440	$–	$1,609,021	$2,398,461

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

Customer relationship of STEL Group amounting to $12.90 million is fully amortized as of December 31, 2016 and 2015.

Unpatented Technology
Unpatented technology of STEL Group pertains to products which are technologically feasible. These technologies are also unique, difficult to design around, and meet the separability criteria.

Computer Software
This includes acquisitions of computer software, applications and modules.

Patents and Trademarks
VIA's patents and trademarks pertain to display system optically bonded to a display region and enhanced liquid crystal display system and methods.

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

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The projects to which the development costs pertain to represent the CGU of the intangible assets. The recoverable amounts of these CGUs have been determined using cash flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects. The pre-tax discount rates applied to cash flow projections range from 12.54% to 14.44%. Key assumptions used in the value-in-use calculations are consistent with those disclosed in Note 10.

No impairment loss was assessed for the product development costs in 2016.

Research expenditure recognized as expense amounted to $0.26 million, $0.11 million and $0.14 million in 2016, 2015 and 2014, respectively.

Amortization expense included in "Cost of goods sold and services" and "Operating expenses" accounts follows:

	2016	2015	2014
Cost of goods sold and services (Note 19)	**$34,951**	$15,604	$6,182
Operating expenses (Note 20)	**1,954,597**	2,216,247	2,114,252
	$1,989,548	$2,231,851	$2,120,434

12. Available-for-Sale Financial Assets

This account consists of:

	2016	2015
Investment securities	**$1,753,589**	$1,753,589
Club shares	**740,949**	583,510
	2,494,538	2,337,099
Less allowance for impairment loss on AFS financial assets	**1,753,589**	1,753,589
	$740,949	$583,510

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

13. Other Noncurrent Assets

This account consists of:

	2016	2015
Miscellaneous deposits	**$2,512,368**	$1,897,070
Others	**209,689**	134,998
	$2,722,057	$2,032,068

Miscellaneous deposits includes electric meter deposits to AC Energy Holdings Inc. (ACEHI) and water meter deposits.

14. Accounts Payable and Accrued Expenses

This account consists of:

	2016	2015
Trade payables	**$136,114,721**	$103,563,112
Accrued compensation and benefits	**21,685,525**	23,263,280
Accrued expenses	**16,676,506**	15,734,289
Nontrade payables	**8,050,234**	5,121,760
Advances from a third party	**6,538,462**	–
Advances from customers (Note 17)	**2,567,552**	552,086
Taxes payable	**1,094,518**	1,366,363
Customers' deposits	**896,712**	572,997
Accrued interest payable	**769,072**	509,027
Due to related parties (Note 29)	**590,369**	4,681
Employee-related contributions	**455,272**	580,374
Derivative liabilities (Note 30)	**10,567**	10,567
Others	**225,794**	1,538,689
	$195,675,304	$152,817,225

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.

Advances from a Third Party
The amount pertains to the deposit received related to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the plan to relocate its manufacturing facility in Liantang, Luohu, in line with the urban redevelopment projects of the Shenzhen City government. The sale is subject to certain conditions which are expected to be completed within the next year.

Advances from Customers
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA with interest ranging from 3.55% to 5.00%, current portion of PSi's advances from local customers, and advance payments made by customers for goods and services of the Parent Company and STEL (see Note 17).

Taxes Payable
Taxes payable pertain to taxes withheld such as fringe benefits tax and withholding taxes on purchased goods and services. Withholding taxes payable are expected to be settled within the next financial year.

Customers' Deposits
The amount pertains to advance payments made by customers as manufacturing bond.

Employee-related Contributions
This account consists mainly of remittances related to government agencies such as social security and insurance, housing fund and health insurance.

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

15. **Trust Receipts and Loans Payable**

This account consists of borrowings of the following entities:

	2016	2015
Parent Company	**$25,000,000**	$25,000,000
PSi	**9,449,192**	9,297,356
STEL	**8,000,000**	8,000,000
VIA	**7,903,449**	–
IMI CZ	**1,092,528**	–
	$51,445,169	$42,297,356

Parent Company
As of December 31, 2016 and 2015, the Parent Company has short-term loans aggregating to $25.0 million with maturities ranging from 30 to 180 days, and fixed annual interest rates ranging from 1.23% to 1.24% in 2016, from 1.03% to 1.50% in 2015 and from 1.75% to 2.20% in 2014.

The Parent Company incurred interest expense on its short-term loans amounting to $0.65 million in 2016, $0.46 million in 2015 and $0.64 million in 2014 (see Note 22).

PSi
PSi has short-term loans from a local bank amounting to $9.20 million as of December 31, 2016 and 2015, and trust receipts payable amounting to $0.25 million and $0.10 million as of December 31, 2016 and 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 of 3.17% in 2016, from 2.03% to 2.82% in 2015 and from 2.23% to 2.53% in 2014.

The undrawn credit facility amounted to $0.55 million and $0.70 million as of December 31, 2016 and 2015, respectively.

PSi incurred interest expense on its short-term loans and trust receipts payable amounting to $0.28 million in 2016, $0.24 million in 2015 and $0.23 million in 2014 (see Note 22).

STEL
The loans of STEL are clean loans from existing revolving credit facilities with a Singaporean bank and bear annual interest rate of 2.24% in 2016, 1.73% in 2015 and from 1.93% to 2.38% in 2014 and have maturities of 30 to 60 days from the date of issue, with renewal options.

STEL incurred interest expense on its short-term loans amounting to $0.16 million in 2016, $0.16 million in 2015 and $0.17 million in 2014 (see Note 22).

VIA
The loans of VIA consists of factoring loan from China-based banks denominated in USD and RMB amounting to a total of $5.81 million with terms ranging from 140 to 180 days and loan from a German-based bank amounting to €2.0 million ($2.09 million) with term of 90 days with renewable options and bears interest rate of 1.95% per annum.

VIA incurred interest expense on its short-term loans payable amounting to $0.05 million (see Note 22).

IMI CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Unicredit Czech and Citibank and bear interest based on 1-month EURIBOR plus 1.20%.

IMI CZ incurred interest expense on its short-term loans payable amounting to $3,463 (see Note 22).

16. **Long-Term Debt**

This account consists of borrowings of the following entities:

	2016	2015
Parent Company	**$120,222,000**	$65,494,000
Cooperatief	**6,586,800**	8,980,407
IMI CZ	**1,818,198**	2,467,864
IMI BG	**417,760**	659,494
VIA	**284,338**	–
	129,329,096	77,601,765
Less current portion:		
Parent Company	**5,222,000**	40,000,000
Cooperatief	**2,108,200**	2,177,400
IMI CZ	**528,478**	555,778
IMI BG	**208,880**	219,831
VIA	**117,495**	–
	8,185,053	42,953,009
Noncurrent portion	**$121,144,043**	$34,648,756

Parent Company

On October 10, 2016, the Parent Company obtained a $40.00 million 5-year term loan from a local bank subject to a fixed interest rate of 2.70%.

On September 29, 2016, the Parent Company obtained a $15.00 million 3-year term loan from a local bank subject to a fixed interest rate of 2.42%.

On August 12, 2015, the Parent Company obtained a $20.00 million 5-year term loan from a local bank payable at the end of the loan term 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 ($5.22 million), 5-year term clean loan from a local bank payable in a single balloon payment at the end of the loan term. Interest is payable semi-annually at the rate of 6-month LIBOR plus 1.50% spread per annum. The loan which will mature in February 2017 was reclassified to current portion of long-term debt in 2016.

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. Interest on the loan is payable quarterly and re-priced quarterly at the rate of 3-month LIBOR plus margin of 0.80%. In October 2016, the loan was settled in full and the Parent Company obtained a new 5-year term loan with the same bank subject to a fixed interest rate of 2.70% per annum.

The Parent Company incurred interest expense on its long-term loans amounting to $1.83 million in 2016, $0.98 million in 2015 and $0.81 million in 2014 (see Note 22).

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

- The ratio of debt to earnings before interest, taxes, depreciation and amortization (EBITDA) shall not exceed 3:1 at all times, with reference to the borrower's consolidated financial statements;
- Maintenance of debt service coverage ratio of at least 1.5:1;
- Maintenance at all times of a current ratio of at least 1:1; and
- Maintenance of a debt-to-equity ratio, computed with reference to the borrower's consolidated financial statements, of not greater than 1.75:1.

As of December 31, 2016 and 2015, the Parent Company has complied with all of the above-mentioned loan covenants.

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 an aggregate amount of €8.00 million from 2013 to 2016 with an annual payment of €2.00 million every July of each year.

Below is the amortization schedule:

Due Dates	In EUR	In USD
2017	€2,000,000	$2,108,200
2018	4,248,743	4,478,600
	€6,248,743	$6,586,800

Cooperatief incurred interest expense on its long-term debt amounting to $0.26 million in 2016, $0.32 million in 2015 and $0.47 million in 2014 (see Note 22).

IMI CZ
On August 14, 2015, IMI CZ obtained a 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 relates to a term loan facility for the purchase of its new SMT machine. The debt bears annual interest of 1-month EURIBOR plus 2.70% and matures on July 31, 2019.

IMI CZ incurred interest expense on its long-term debt amounting to $0.03 million in 2016, and $0.02 million in 2015 and 2014 (see Note 22).

IMI BG
IMI BG has a long-term debt from BNP Paribas amounting to $0.42 million 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 to office and factory equipment with a carrying value of $1.35 million.

IMI BG incurred interest expense amounting to $0.02 million in 2016 and $0.02 million in 2015 (see Note 22).

VIA
VIA has a long-term debt from Sparkasse Bank amounting to €0.27 million. The debt bears annual interest of 5.35% and matures on June 30, 2019.

VIA incurred interest expense on its long-term debt amounting to $3,803 (see Note 22).

17. Noncurrent Advances from Customers

On June 28, 2010, PSi and a local customer entered into a Subcontracting Services Agreement (SSA) for PSi to provide subcontracted services. In consideration, the local customer shall pay PSi service fees as provided for in the SSA. The subcontracted services shall be effective starting from July 15, 2010 and ending February 29, 2020, renewable upon mutual agreement by both parties.

In September 2009, PSi received noninterest-bearing cash advances amounting to $3.00 million from a foreign customer, an affiliate of the local customer. On July 15, 2010, the foreign customer assigned all of its rights with respect to the cash advances, including payments thereof, to the above local customer. The local customer and PSi agreed that upon termination of the SSA, the full cash advances amounting to $3.00 million will be applied to pre-pay and cover any and all of the fees payable, under Annex B of the SSA, for the facilities support services that will be rendered by PSi to the local customer. Moreover, PSi shall return to the local customer, if any, the residual cash advances, less any amount applied to pay the fees as detailed in the SSA.

As of December 31, 2016 and 2015, the current and noncurrent portion of Group's advances from the local customers follows:

	2016	2015
Total outstanding advances from local customers	**$1,788,232**	$1,675,429
Less current portion (Note 14)	**650,367**	552,086
Noncurrent portion	**$1,137,865**	$1,123,343

18. Equity

Capital Stock
This account consists of:

	2016		2015		2014	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized - ₱1 par value						
Common	**2,250,000,000**		2,250,000,000		2,250,000,000	
Preferred (Note 34)	**1,500,000,000**		1,500,000,000		1,500,000,000	
Issued - Common						
At beginning of year	**1,793,429,765**	**$34,933,728**	1,790,416,179	$34,876,616	1,572,129,429	$30,016,551
Issuances during the year:						
ESOWN	**88,876**	**1,981**	3,013,586	57,112	3,286,750	70,580
Public offering	–	–	–	–	215,000,000	4,789,485
At end of year*	**1,793,518,641**	**$34,935,709**	1,793,429,765	$34,933,728	1,790,416,179	$34,876,616
Issued - Preferred						
At beginning of year	–	**$–**	1,300,000,000	$26,601,155	1,300,000,000	$26,601,155
Redemption	–	–	(1,300,000,000)	(26,601,155)	–	–
At end of year	–	**$–**	–	$–	1,300,000,000	$26,601,155

* *Out of the total issued shares, 15,892,124 shares as of December 31, 2016, 2015 and 2014 pertain to treasury shares.*

On June 25, 2015, the BOD of the Parent Company approved the redemption of all of the outstanding 1,300,000,000 redeemable preferred shares which were issued in 2008. The shares, which were redeemed at a price of ₱1.00 per share, were paid on August 24, 2015 to the stockholders of record as of July 24, 2015, including all accumulated unpaid cash dividends (see Note 34).

On December 5, 2014, the Parent Company has completed its public offering and listing of 215,000,000 common shares at an offer price of ₱7.50 per share, with a par value of ₱1.00 per share, raising ₱1.61 billion ($35.92 million) cash to fund capital expenditure, support business expansion, refinance debt, and fund working capital requirements.

As of December 31, 2016, 2015 and 2014, there were 338, 367 and 456 registered common stockholders, respectively.

Subscribed Capital Stock

Details of this account follow:

	2016		2015		2014	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**87,200,345**	**$1,907,584**	82,375,866	$1,797,638	57,141,000	$1,229,926
Subscriptions during the year - ESOWN	**–**	**–**	10,393,394	222,366	31,797,958	708,590
Issuances during the year - ESOWN	**(88,876)**	**(1,981)**	(3,013,586)	(57,112)	(3,286,750)	(70,580)
Forfeitures during the year - ESOWN	**(2,175,240)**	**(48,163)**	(2,555,329)	(55,308)	(3,276,342)	(70,298)
At end of year	**84,936,229**	**$1,857,440**	87,200,345	$1,907,584	82,375,866	$1,797,638

Subscriptions Receivable

Details of this account are as follows:

	2016	2015	2014
At beginning of year	**$13,131,734**	$12,906,784	$9,590,746
Subscriptions during the year	**–**	1,136,291	4,187,765
Forfeitures during the year	**(334,665)**	(450,707)	(622,524)
Collections during the year	**(462,377)**	(460,634)	(328,621)
Accretion during the year (Note 26)	**–**	–	79,418
At end of year (Note 26)	**$12,334,692**	$13,131,734	$12,906,784

Additional Paid-in Capital

The grant of equity-settled awards to the Group's employees was recognized as increase in the "Additional paid-in capital" account.

Costs directly attributable to the issuance of new common shares in relation to the public offering amounting to $1.50 million in 2014 were accounted for by the Parent Company as deduction from "Additional paid-in capital" account. These transaction costs include, among others, underwriting fees, legal and audit professional fees, documentary stamp tax, registration fees, prospectus design, and printing and publication costs.

The financial liability arising from the written put options over the non-controlling interest of VIA was recognized with a corresponding debit to the "Additional paid-in capital" account.

Dividends

2016

On February 06, 2016, the BOD 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 of February 23, 2016 payable on March 10, 2016.

2015

On February 17, 2015, the BOD of the Parent Company approved the declaration of cash dividend of $0.0042 or ₱0.1868 per share to all outstanding common shares as of record date of March 4, 2015, payable on March 19, 2015.

2014
On December 2, 2014, the BOD of the Parent Company approved and authorized the declaration and payment of cash dividends for 2015 to all preferred shareholders of the Parent Company at a dividend rate of 2.90% per annum. Details of the dividend payment are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Record date	February 6, 2015	May 8, 2015	August 7, 2015	November 11, 2015
Payment date	February 20, 2015	May 22, 2015	August 24, 2015	November 25, 2015
Amount	$209,958	$209,958	$216,956	$214,623

The fourth quarter dividends payable amounting to $0.21 million was cancelled and credited back to the “Retained Earnings” account upon redemption of the preferred shares on August 17, 2015.

On February 17, 2014, the BOD of the Parent Company approved the declaration of cash dividend of $0.00140 or ₱0.06319 per share to all outstanding common shares as of record date of March 3, 2014, payable on March 19, 2014.

Retained Earnings
On February 17, 2015, the 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.

The foreign exchange translation difference between the redemption date and the original issuance of preferred shares amounting to $1.83 million was charged against “Retained earnings” account.

Accumulated net earnings of the subsidiaries amounting to $143.76 million and $105.76 million as of December 31, 2016 and 2015, respectively, are not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend upon receipt of cash dividends from the investees.

The retained earnings are restricted to dividend declaration to the extent of the cost of treasury shares amounting to $1.01 million.

In accordance with Securities Regulation Code Rule 68, As Amended (2011), Annex 68-C, the Parent Company’s retained earnings available for dividend declaration as of December 31, 2016 amounted to $16.18 million.

19. Cost of Goods Sold and Services

This account consists of:

	2016	2015	2014
Direct, indirect and other material-related costs (Note 7)	**$571,521,298**	$546,897,934	$547,251,922
Direct labor, salaries, wages and employee benefits (Note 25)	**116,183,955**	121,291,155	144,418,120
Depreciation and amortization (Notes 9 and 11)	**20,071,527**	18,586,049	18,339,150
Facilities costs and others (Note 21)	**33,880,263**	33,557,495	40,531,872
	$741,657,043	$720,332,633	$750,541,064

20. **Operating Expenses**

This account consists of:

	2016	2015	2014
Salaries, wages and employee benefits (Note 25)	**$31,222,323**	$31,366,967	$35,769,440
Depreciation and amortization (Notes 9 and 11)	**4,390,267**	4,662,621	4,641,133
Facilities costs and others (Note 21)	**22,753,852**	20,068,937	23,821,906
	$58,366,442	$56,098,525	$64,232,479

21. **Facilities Costs and Others**

This account consists of:

	Cost of Goods Sold and Services			**Operating Expenses**		
	2016	2015	2014	**2016**	2015	2014
Utilities	**$15,750,396**	$15,786,733	$19,066,162	**$1,468,908**	$1,217,805	$845,160
Outsourced activities	**7,868,740**	7,359,668	8,613,743	**9,225,760**	6,799,414	6,006,755
Repairs and maintenance	**6,722,042**	6,874,986	8,112,925	**702,432**	502,700	531,423
Travel	**968,879**	541,422	545,473	**2,862,709**	1,550,962	1,906,188
Insurance	**731,918**	710,192	692,566	**1,248,871**	1,193,732	1,177,782
Government-related	**693,687**	981,847	1,235,608	**3,218,639**	3,098,023	3,439,593
Staff house	**487,016**	587,741	577,605	**395,817**	222,900	346,955
Postal and communication	**314,889**	319,625	404,019	**932,780**	708,817	867,256
Promotional materials, representation and entertainment	**152,529**	154,098	148,576	**1,153,585**	782,715	900,744
Technology-related	**56,817**	71,019	637,437	**1,593,971**	774,398	1,361,518
Membership fees	**16,041**	2,289	2,187	**160,137**	134,131	90,386
Sales commission	**–**	–	–	**1,251,399**	362,708	1,084,492
Provision (reversal of provision) for inventory obsolescence (Note 7)	**–**	–	–	**(2,660,809)**	1,591,170	3,737,353
Provision (reversal of provision) for doubtful accounts (Note 6)	**–**	–	–	**204,607**	438,344	(899,304)
Provision for allowance for decline in value of inventories (Note 7)	**–**	–	–	**50,000**	100,000	84,267
Others	**117,309**	167,875	495,571	**945,046**	591,118	2,341,338
	$33,880,263	$33,557,495	$40,531,872	**$22,753,852**	$20,068,937	$23,821,906

Others include amortization expense of deferred licensing fee, additional licensing fee, donations, small tools and instruments, spare parts, brokerage charges, freight out, test material, service processing fees, scrap materials, office supplies, copying expenses and impairment loss on machineries and equipment.

Miscellaneous income and loss
Miscellaneous income and loss pertains to nonrecurring engineering services and gains on sale of materials (see Note 7).

22. **Interest Expense and Bank Charges**

This account consists of:

	2016	2015	2014
Interest expense on loans (Notes 15 and 16)	**$3,296,499**	$2,207,309	$2,517,542
Bank charges	**586,721**	507,834	75,348
Others	**1,234**	1,242	221,913
	$3,884,454	$2,716,385	$2,814,803

Others include interest on employee housing and car loans in 2016 and 2015, and finance lease obligations in 2014.

23. **Income Tax**

Current Tax

Parent Company

The Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. As of December 31, 2016, there are five remaining project activities with ITH. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH, the Parent Company will be subject to a 5% tax on gross income earned after certain allowable deductions provided under Republic Act (R.A.) No. 7916, otherwise known as the "Special Economic Zone Act of 1995", in lieu of payment of national and local taxes. Income from other income-producing activities that are not registered with PEZA is subject to regular corporate income tax (RCIT) rate of 30%.

IMICD, SZSTE and STJX

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises," the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

IMICD is subject to taxation at the statutory rate of 15% in 2016, 2015 and 2014 on its taxable income as reported in the financial statements. With effect from year 2008, the China authority ceased the incentive of preferential tax treatment for enterprises with foreign investment and foreign enterprises.

SZSTE and STJX are subject to taxation at the statutory tax rate of 25% in 2016, 2015 and 2014 on their taxable income as reported in their respective financial statements prepared in accordance with the accounting regulations in the PRC.

STHK and Monarch

Hong Kong profits tax has been provided at the rate of 16.5% in 2016, 2015 and 2014 on the assessable profit for the year.

Cooperatief

Taxation is calculated on the reported pre-tax result, at the prevailing tax rate of 20% on the first €200,000 and 25% on the taxable amount exceeding €200,000, taking into account any losses carried forward from previous financial years (if applicable), tax-exempt items and nondeductible expenses, and using tax facilities.

IMI BG
Income taxes are calculated in accordance with Bulgarian legislation, and the effect of the current and deferred taxes is reported. The current tax is calculated based on the taxable income for tax purposes. The nominal tax rate in 2016, 2015 and 2014 is 10%.

IMI CZ
Income tax due is calculated by multiplying the tax base by the rate as defined by the income tax law of Czech Republic. The tax base comprises the book income from operations, which is increased or decreased by permanently or temporarily tax-decreasing costs and tax-deductible revenues (for example, creation and recording of other provisions and allowances, entertainment expenses, difference between book and tax depreciations). The applicable tax rate in 2016, 2015 and 2014 is 19%.

IMI MX
IMI MX is subject to Income Tax and the Business Flat Tax. These taxes are recorded in profit or loss in the year they are incurred. Income tax rate in 2016, 2015 and 2014 is 30%. Business Flat Tax is calculated on a cash flow basis whereby the tax base is determined by reducing taxable income with certain deductions and credits. The applicable Business Flat Tax rate is 17.5%.

Income tax incurred will be the higher of Income Tax and Business Flat Tax.

IMI France
Income tax is computed based on the income earned by the entity during the calendar year. Losses may be carried forward with no time limit. On certain conditions, losses may be carried back one year. The tax rate applicable in 2016, 2015 and 2014 is 33% based on net income.

VIA
VIA is subject to German corporate and trade taxes. Statutory corporate income tax rate of 15% plus surcharge of 5.5% thereon is applied to earnings for the years 2016, 2015 and 2014. The municipal tax rate is approximately 11.55% of taxable income, thus, the total tax rate of 27.375%. The applicable tax rate for VIA LLC and VIA Suzhou is at 40% and 25%, respectively.

PSi
As a PEZA-registered entity, PSi is subject to a 5% tax on gross income less allowable deductions, as defined in R.A. No. 7916, as amended by R.A. No. 8748, in lieu of all national and local taxes, except real property tax on land being leased by PSi in Food Terminal, Inc. (FTI) - Special Economic Zone and Carmelray Industrial Park II. The 5% tax on gross income shall be paid and remitted as follows: (a) 3% to the National Government; and (b) 2% to the treasurer's office of the municipality or city where the enterprise is located. Income from other income-producing activities that are not registered with PEZA is subject to RCIT rate of 30%.

As at December 31, 2016, PSi has no PEZA-registered activities with ITH entitlement.

<u>Deferred Tax</u>
Recognized deferred taxes of the Group relate to the tax effects of the following:

	2016	2015
Deferred tax assets:		
Net operating loss carry-over	**$1,169,731**	$726,440
Allowance for inventory obsolescence	**350,404**	414,315
Fair value adjustment on property, plant and equipment arising from business combination	**282,192**	436,416
Allowance for doubtful accounts	**127,996**	159,768
Unamortized past service cost	**118,400**	106,931
Allowance for impairment loss on AFS	**–**	100,867
Others	**87,679**	124,857
	$2,136,402	$2,069,594

	2016	2015
Deferred tax liabilities:		
Fair value adjustment on property, plant and equipment arising from business combination	**$1,457,809**	$1,536,602
Unrealized foreign exchange loss on monetary assets - net	**157,942**	281,248
Unrealized foreign exchange loss on AFS	**30,277**	82,213
Prepaid expenses	**206,337**	–
Others	**7,326**	297
	$1,859,691	$1,900,360

Deferred tax assets and deferred tax liabilities are offset on per entity level and the net amount is reported in consolidated balance sheets as follows:

	December 31, 2016			
	Deferred Tax Assets	**Deferred Tax Liabilities**	**Total Deferred Tax Assets - net**	**Total Deferred Tax Liabilities - net**
Parent Company	**$234,011**	**($188,219)**	**$45,792**	**$–**
IMI BG	**450,468**	**(395,821)**	**54,647**	**–**
IMI CZ	**276,566**	**–**	**276,566**	**–**
IMI MX	**393,547**	**–**	**393,547**	**–**
VIA	**499,618**	**(206,337)**	**499,618**	**(206,337)**
STEL	**–**	**(32,186)**	**–**	**(32,186)**
Others	**282,192**	**(1,037,128)**	**282,192**	**(1,037,128)**
	$2,136,402	**($1,859,691)**	**$1,552,362**	**($1,275,651)**

	December 31, 2015			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	$242,101	($363,461)	$–	($121,360)
IMI BG	462,083	(299,956)	162,127	–
IMI CZ	677,157	–	677,157	–
IMI MX	688,253	–	688,253	–
STEL	–	(63,887)	–	(63,887)
Others	–	(1,173,056)	–	(1,173,056)
	$2,069,594	($1,900,360)	$1,527,537	($1,358,303)

Others pertain to the deferred tax liabilities resulting from the acquisition of IMI EU/MX Subsidiaries.

As of December 31, 2016 and 2015, the temporary differences for which no deferred tax assets have been recognized are as follows:

PSi

	2016	2015
Accumulated impairment losses on property, plant and equipment	**$10,138,416**	$10,138,416
Advances from customer	**1,425,009**	1,440,377
Excess of:		
Cost over NRV of inventories	**976,574**	1,200,211
Rent expense under operating lease arrangement computed on a straight-line basis over the amount computed based on lease agreement	**84,731**	454,878

(Forward)

	2016	2015
Accrued retirement benefits obligation	**$672,537**	$1,132,864
Allowance for doubtful accounts	**54,206**	67,630
	$13,351,473	$14,434,376

STEL

	2016	2015
Depreciation	**$6,693,000**	$5,747,000
Allowance for inventory obsolescence	**2,626,000**	2,170,000
Unused tax losses	**–**	960,000
	$9,319,000	$8,877,000

IMI CZ

	2016	2015
Noncurrent assets	**$706,864**	$1,337,664
Provisions	**375,769**	360,029
Allowance for doubtful accounts	**201,236**	69,411
Excess of cost over NRV of inventories	**170,991**	211,680
	$1,454,860	$1,978,784

Deferred tax assets are recognized only to the extent that sufficient future taxable profits will be available against which the deferred tax assets can be used.

As of December 31, 2016 and 2015, deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries and the related cumulative translation adjustments since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.

The reconciliation of the statutory income tax rate to the effective income tax rate of the Group follows:

	2016	2015	2014
Statutory income tax	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible expenses	**20.02%**	22.12%	59.96%
Income subject to gross income tax	**(21.02%)**	(22.56%)	(14.49%)
Difference in tax jurisdiction	**(8.40%)**	(11.15%)	(54.04%)
Income subject to ITH	**(1.02%)**	(1.27%)	(3.79%)
Interest income subjected to final tax	**(0.03%)**	(0.11%)	(0.02%)
Provision for income tax	**19.55%**	17.03%	17.62%

24. Earnings per Share

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

	2016	2015	2014
Net income	**$28,115,891**	$28,789,740	$29,117,024
Less dividends on preferred stock (Note 18)	**–**	–	851,495
	$28,115,891	$28,789,740	$28,265,529
Weighted average number of common shares outstanding	**1,863,320,708**	1,858,578,676	1,632,132,778
Basic and diluted EPS	**$0.015**	$0.015	$0.017

As of December 31, 2016, 2015 and 2014, the Group has no dilutive potential common shares.

25. Personnel Costs

Salaries, wages, and employee benefits follow:

	2016	2015	2014
Salaries and wages	**$120,086,764**	$118,268,993	$130,621,781
Retirement expense under defined contribution plans	**6,225,339**	5,379,119	5,649,301
Net retirement expense under defined benefit plans	**1,787,924**	1,857,985	2,061,727
Social security costs	**1,432,134**	2,212,856	2,357,681
Others	**17,874,117**	24,939,169	39,497,070
	$147,406,278	$152,658,122	$180,187,560

Others include expenses for employee benefits which include 13th month pay, employee insurance expenses, housing premium, leave benefits, training and seminars, employee social and recreation, bonuses, health premium, subcontracting costs and other employee benefits.

Salaries, wages, and employee benefits are allocated as follows:

	2016	2015	2014
Cost of goods sold and services (Note 19)	**$116,183,955**	$121,291,155	$144,418,120
Operating expenses (Note 20)	**31,222,323**	31,366,967	35,769,440
	$147,406,278	$152,658,122	$180,187,560

Defined Benefit Plans

The Parent Company, PSi and IMI BG have defined benefit plans covering substantially all of their employees. The latest actuarial valuations were made on December 31, 2016.

The plan is administered by local banks as trustees. The Board of Trustees is responsible for the investment direction of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy, as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, and the Treasurer. The Treasurer oversees the entire investment process.

The defined benefit plans of the Parent Company and PSi meet the minimum retirement benefit specified under R.A. No. 7641, *Retirement Pay Law*.

The Group has net retirement liabilities attributable to the following:

	2016	2015
Parent Company	**$2,782,817**	$4,155,241
PSi	**672,537**	1,132,864
IMI BG	**636,636**	503,507
	$4,091,990	$5,791,612

Parent Company, PSi and IMI BG

Changes in net retirement liabilities of the Parent Company, PSi and IMI BG's defined benefit plans are as follows:

	2016												
		Net Retirement Expense					**Remeasurements**						
	January 1	**Current Service Cost**	**Net Interest**	**Loss on Curtailments and Settlements**	**Subtotal**	**Separation and Benefits Paid**	**Return on Plan Assets (Excluding Amount Included in Net Interest)**	**Actuarial Changes Due to Experience Adjustments**	**Actuarial Changes Due to Demographic Assumptions**	**Actuarial Changes Arising from Changes in Financial Assumptions**	**Subtotal**	**Foreign Currency Exchange Difference**	**December 31**
Present value of defined benefit obligation	**$18,642,181**	**$1,610,453**	**$875,380**	**($29,832)**	**$2,456,001**	**($3,505,705)**	**$–**	**$1,830,464**	**$424,077**	**($2,523,613)**	**($269,072)**	**($958,150)**	**$16,365,255**
Fair value of plan assets	**(12,850,569)**	**–**	**(668,077)**	**–**	**(668,077)**	**148,480**	**401,659**	**–**	**–**	**–**	**401,659**	**695,242**	**(12,273,265)**
Net retirement liabilities	**$5,791,612**	**$1,610,453**	**$207,303**	**($29,832)**	**$1,787,924**	**($3,357,225)**	**$401,659**	**$1,830,464**	**$424,077**	**($2,523,613)**	**$132,587**	**($262,908)**	**$4,091,990**

	2015											
		Net Retirement Expense					Remeasurements					
	January 1	Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Foreign Currency Exchange Difference	December 31
Present value of defined benefit obligation	$17,819,360	$1,653,303	$801,282	$–	$2,454,585	($1,203,060)	$–	$1,225,579	($691,992)	$533,587	($962,291)	$18,642,181
Fair value of plan assets	(13,107,809)	–	(596,600)	–	(596,600)	–	188,522	–	–	188,522	665,318	(12,850,569)
Net retirement liabilities	$4,711,551	$1,653,303	$204,682	$–	$1,857,985	($1,203,060)	$188,522	$1,225,579	($691,992)	$722,109	($296,973)	$5,791,612

The maximum economic benefit available is a contribution of expected refunds from the plans and reductions in future contributions.

The distribution of the plan assets as of December 31, 2016 and 2015 follows:

	2016	2015
Government securities	**$8,079,938**	$8,297,792
Mutual funds	**1,708,112**	313,464
Trust funds	**1,099,889**	1,285,735
Corporate bonds	**421,629**	445,040
Investment properties	**408,608**	697,238
Cash and cash equivalents	**318,481**	1,606,341
Equities	**236,163**	262,643
Liabilities	**(131)**	(271)
Others	**576**	(57,413)
	$12,273,265	$12,850,569

The plan assets include shares of stock, corporate bonds, deposit instruments and mutual funds of related parties, primarily AC, Ayala Land, Inc. (ALI), Bank of the Philippine Islands (BPI) and Ayala Life Assurance, Inc. (ALAI) as follows:

	December 31, 2016			
	Equity Securities	**Debt Securities**	**Other Securities**	**Total**
Fair Value				
BPI UITF	**$342,029**	**$–**	**$755,543**	**$1,097,572**
AC bonds	–	**264,436**	**–**	**264,436**
ALI bonds	–	**31,162**	**–**	**31,162**
ALAI funds	–	**–**	**23,475**	**23,475**
	$342,029	**$295,598**	**$779,018**	**$1,416,645**
Carrying Value				
BPI UITF	**$352,133**	**$–**	**$754,712**	**$1,106,845**
AC bonds	–	**261,464**	**–**	**261,464**
ALI bonds	–	**30,169**	**–**	**30,169**
ALAI funds	–	**–**	**23,197**	**23,197**
	$352,133	**$291,633**	**$777,909**	**$1,421,675**
Unrealized Gain (Loss)				
BPI UITF	**($11,104)**	**$–**	**$831**	**($10,273)**
AC bonds	–	**2,972**	**–**	**2,972**
ALI bonds	–	**993**	**–**	**993**
ALAI funds	–	**–**	**278**	**278**
	($11,104)	**$3,965**	**$1,109**	**($6,030)**

	December 31, 2015			
	Equity Securities	Debt Securities	Other Securities	Total
Fair Value				
BPI UITF	$867,674	$–	$–	$867,674
AC bonds	–	279,383	–	279,383
ALI bonds	–	32,407	–	32,407
BPI deposits	–	–	1,597,292	1,597,292
	$867,674	$311,790	$1,597,292	$2,776,756
Carrying Value				
BPI UITF	$870,118	$–	$–	$870,118
AC bonds	–	276,243	–	276,243
ALI bonds	–	31,874	–	31,874
BPI deposits	–	–	1,599,045	1,599,045
	$870,118	$308,117	$1,599,045	$2,777,280

(Forward)

	December 31, 2015			
	Equity Securities	Debt Securities	Other Securities	Total
Unrealized Gain (Loss)				
BPI UITF	($2,444)	$–	$–	($2,444)
AC bonds	–	3,140	–	3,140
ALI bonds	–	533	–	533
BPI deposits	–	–	(1,753)	(1,753)
	($2,444)	$3,673	($1,753)	($524)

The plan assets pertain to diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute $2.29 million to the defined benefit plans for 2017.

The actual return of plan assets amounted to ($0.22 million), $0.41 million and $0.42 million in 2016, 2015 and 2014, respectively.

The average duration of net retirement liabilities at the end of the balance sheet date is 17.71 to 23.41 years as of December 31, 2016 and 21.69 to 24.5 years as of December 31, 2015.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2016 and 2015:

	2016	2015
Less than one year	**$1,226,047**	$449,305
More than one year to five years	**4,100,043**	1,313,428
More than five years to ten years	**7,968,662**	3,033,503
More than ten years to fifteen years	**11,725,227**	6,864,091
More than fifteen years	**47,427,976**	70,466,253
	$72,447,955	$82,126,580

Principal actuarial assumptions
The principal actuarial assumptions used to determine retirement benefits are shown below:

	2016	2015
Discount rate	**2.00% - 5.51%**	2.00% - 5.09%
Turnover rate	**5.75% - 10.00%**	2.92% - 12.75%
Salary increase rate	**3.00% - 5.00%**	4.00% - 5.00%

The sensitivity analysis per entity below has been determined based on reasonably possible changes of each significant assumption on the net retirement liabilities as of the end of the balance sheet date, assuming all other assumptions were held constant:

<u>Parent Company</u>

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Net Retirement Liability 2016	2015
Discount rate	+1%	**($1,401,526)**	($2,013,320)
	-1%	**1,646,102**	2,429,869
Turnover rate	+2%	**99,863**	(889,152)
	-2%	**(139,665)**	855,599
Salary increase rate	+1%	**1,778,038**	2,372,810

	-1%	**(1,534,545)**	(2,006,458)

PSi

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Net Retirement Liability **2016**	2015
Discount rate	+1%	**($103,133)**	($186,960)
	-1%	**125,025**	232,012
Turnover rate	+2%	**(8,990)**	(35,418)
	-2%	**7,185**	36,780
Salary increase rate	+1%	**134,019**	222,583
	-1%	**(112,014)**	(183,624)

IMI BG

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Net Retirement Liability **2016**	2015
Discount rate	+1%	**($34,219)**	($29,337)
	-1%	**37,802**	30,829
Turnover rate	+2%	**64,864**	110,470
	-2%	**(64,022)**	(108,455)
Salary increase rate	+1%	**25,849**	21,447
	-1%	**(25,799)**	(21,449)

The mortality rate in 2016 and 2015 is based on the 1994 Group Annuity Mortality for the Parent Company and PSi. Meanwhile, IMI BG used the table for mortality and average life continuance population in the period 2008-2010 from National Statistical Institute (of Bulgaria) for 2016 and 2015.

The net retirement expense of the Parent Company, PSi and IMI BG under the defined benefit plans is allocated as follows:

	2016	2015	2014
Cost of goods sold and services	**$1,283,259**	$1,453,575	$1,654,285
Operating expenses	**504,665**	404,410	407,442
	$1,787,924	$1,857,985	$2,061,727

Defined Contribution Plans

The Parent Company's subsidiaries, excluding PSi and IMI BG, participate in their respective national retirement schemes which are considered as defined contribution plans. The retirement expense of these subsidiaries is allocated as follows:

	2016	2015	2014
Cost of goods sold and services	**$4,866,249**	$4,300,805	$4,652,375
Operating expenses	**1,359,090**	1,078,314	996,926
	$6,225,339	$5,379,119	$5,649,301

26. **Employee Stock Ownership Plan (ESOWN)**

The Group has an ESOWN, which is a privilege extended to the Group's eligible managers and staff whereby the Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN.

The key features of the plan are as follows:

- The subscription price per share shall be based on the average closing price at the PSE for 20 consecutive trading days with a discount to be determined by the Parent Company's Compensation Committee.

- Term of payment is eight years reckoned from the date of subscription:

Initial payment	2.5%
1st Anniversary	5.0%
2nd Anniversary	7.5%
3rd Anniversary	10.0%
Over the remaining years	75.0% balance

- Holding period:

40%	after one (1) year from subscription date
30%	after two (2) years from subscription date
30%	after three (3) years from subscription date

On August 5, 2015, the Executive Committee of the Parent Company approved the grant of stock options to qualified executives covering up to 27,189,000 shares at a subscription price of ₱5.11 per share, equivalent to the average closing price of the Parent Company's common shares, at the PSE for 20 consecutive trading days ending June 25, 2015, net of 15% discount. Out of the total shares granted, 10,393,394 shares were subscribed by 78 executives of the Group.

On October 13, 2014, the Executive Committee of the BOD of the Parent Company approved the grant of stock options to qualified executives covering up to 35,900,000 shares at a subscription price of ₱5.91 per share, equivalent to the average closing price of the Parent Company's common shares, at the PSE for 20 consecutive trading days ending September 24, 2014, net of 15% discount. Out of the total shares granted, 31,797,958 shares were subscribed by 38 executives of the Group, of which 7,821,848 shares are from unissued shares and 23,976,110 shares were issued from ESOWN Trust Account where all the previously cancelled ESOWN subscriptions were held.

The fair value of stock options granted in 2015 and 2014 is estimated at the date of grant using the Black-Scholes Melton Formula, taking into account the terms and conditions upon which the stock options were granted. The expected volatility was determined based on an independent valuation.

Movements in the number of shares outstanding under ESOWN in 2016, 2015 and 2014 follow:

	2016		2015		2014	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
At beginning of year	**143,740,493**	**₱6.69**	135,902,428	₱6.71	107,380,812	₱6.95
Forfeitures	**(2,175,240)**	**6.99**	(2,555,329)	6.37	(3,276,342)	6.95
Subscriptions	**–**	**–**	10,393,394	5.11	31,797,958	5.91
At end of year	**141,565,253**	**₱6.69**	143,740,493	₱6.69	135,902,428	₱6.71

The balance of the subscriptions receivable amounted to \$12.33 million, \$13.13 million and \$12.91 million as of December 31, 2016, 2015 and 2014, respectively (see Note 18).

The share option expense amounted to \$0.74 million, \$1.53 million and \$0.17 million in 2016, 2015 and 2014, respectively. The accretion is recognized as an increase in "Subscriptions receivable" account and "Additional paid-in capital" account presented in the consolidated statements of changes of equity amounted to nil for the years 2016 and 2015 and \$0.08 million for 2014 (see Note 18).

27. **Segment Information**

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and net income before and after tax of its major manufacturing sites. Philippine operation is further subdivided into the Parent Company and PSi, IMI BG and IMI CZ are combined under Europe based on the industry segment and customers served while IMI USA and IMI Japan are combined being the support facilities for research and development, engineering development and sales and marketing.

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

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 years ended December 31, 2016, 2015 and 2014:

December 31, 2016	Philippines		Singapore/ China	Europe	Mexico	Germany (VIA)	USA/ Japan	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue:									
Third party	$220,655,955	$33,006,961	$261,422,882	$242,735,718	$65,219,469	$19,405,163	$520,276	$–	$842,966,424
Intersegment	299,575	1,980	3,747,017	–	–	–	4,201,296	(8,249,868)	–
Total revenue	$220,955,530	$33,008,941	$265,169,899	$242,735,718	$65,219,469	$19,405,163	$4,721,572	($8,249,868)	$842,966,424
Segment interest income	$926,620	$1,443	$153,199	$35,192	$–	$12,852	$28	($835,299)	$294,035
Segment interest expense	$2,712,102	$681,371	$289,555	$620,590	$305,477	$105,275	$4,589	($834,505)	$3,884,454
Segment profit (loss) before income tax	$8,594,851	($2,463,930)	($1,660,198)	$32,664,770	($2,347,967)	($452,949)	$707,315	($219,339)	$34,822,553
Segment provision for income tax	(1,244,834)	–	(1,699,393)	(3,476,137)	(434,797)	58,063	(9,546)	–	(6,806,644)
Segment profit (loss) after income tax	$7,350,017	($2,463,930)	($3,359,591)	$29,188,633	($2,782,764)	($394,886)	$697,769	($219,339)	$28,015,909
Net income (loss) attributable to the equity holders of the Parent Company	$7,350,017	($2,463,930)	($3,354,342)	$29,188,633	($2,782,764)	($300,153)	$697,769	($219,339)	$28,115,891

December 31, 2015	Philippines		Singapore/ China	Europe	Mexico	USA/ Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$225,258,796	$42,062,621	$279,263,000	$206,098,789	$61,314,195	$366,703	$–	$814,364,104
Intersegment	163,415	256,310	5,584,234	34,932	–	3,661,247	(9,700,138)	–
Total revenue	$225,422,211	$42,318,931	$284,847,234	$206,133,721	$61,314,195	$4,027,950	($9,700,138)	$814,364,104
Segment interest income	$1,140,205	$1,831	$288,410	$–	$–	$39	($772,482)	$658,003
Segment interest expense	$1,497,509	$580,928	$302,780	$394,067	$386,870	$3,313	($449,082)	$2,716,385
Segment profit (loss) before income tax	$13,309,497	($1,534,782)	$1,508,553	$24,379,024	$70,081	$470,954	($3,527,807)	$34,675,520
Segment provision for income tax	(1,750,946)	(93,592)	(1,084,167)	(2,775,475)	(196,951)	(4,277)	–	(5,905,408)
Segment profit (loss) after income tax	$11,558,551	($1,628,374)	$424,386	$21,603,549	($126,870)	$466,677	($3,527,807)	$28,770,112
Net income (loss) attributable to the equity holders of the Parent Company	$11,558,551	($1,628,374)	$444,014	$21,603,549	($126,870)	$466,677	($3,527,807)	$28,789,740

December 31, 2014	Philippines		Singapore/China	Europe	Mexico	USA/ Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$204,940,387	$44,932,489	$325,647,491	$212,631,747	$55,958,214	$363,741	$–	$844,474,069
Intersegment	200,256	–	4,362,775	–	–	3,855,856	(8,418,887)	–
Total revenue	$205,140,643	$44,932,489	$330,010,266	$212,631,747	$55,958,214	$4,219,597	($8,418,887)	$844,474,069
Segment interest income	$801,508	$1,657	$158,954	$–	$1,501	$29	($767,378)	$196,271
Segment interest expense	$1,512,464	$604,941	$191,172	$342,376	$456,384	$3,857	($296,391)	$2,814,803
Segment profit (loss) before income tax	($12,046,881)	($1,213,530)	$25,371,530	$28,015,334	($5,867,410)	($651,759)	$1,584,007	$35,191,291
Segment provision for income tax	(1,122,750)	(121,146)	(4,376,209)	(2,315,038)	1,735,815	(580)	–	(6,199,908)
Segment profit (loss) after income tax	($13,169,631)	($1,334,676)	$20,995,321	$25,700,296	($4,131,595)	($652,339)	$1,584,007	$28,991,383
Net income (loss) attributable to the equity holders of the Parent Company	($13,169,631)	($1,111,118)	$20,976,438	$25,621,262	($4,131,595)	($652,339)	$1,584,007	$29,117,024

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

The operating income and profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $8.25 million in 2016, $9.70 million in 2015 and $8.42 million in 2014, intersegment cost of sales of $0.99 million in 2016, $0.17 million in 2015 and $0.20 million in 2014, and intersegment operating expenses aggregating to $7.12 million in 2016, $9.12 million in 2015 and $8.22 million in 2014.

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

	Philippines		Singapore/ China	Europe	Mexico	Germany (VIA)	USA/ Japan	Consoli- dation and Eliminations	Total
	Parent Company	PSi							
2016	**$323,142,918**	**$15,430,820**	**$224,745,194**	**$199,169,397**	**$64,528,625**	**$33,074,977**	**$3,249,280**	**($227,432,324)**	**$635,908,887**
2015	$273,699,329	$15,305,610	$216,719,333	$125,968,453	$50,762,577	$–	$2,587,783	($168,508,426)	$516,534,659

Segment assets do not include investments in subsidiaries and intersegment receivables amounting to $180.13 million and $46.88 million as of December 31, 2016, respectively, and $125.60 million and $42.68 million as of December 31, 2015, respectively. These are eliminated in consolidation.

Goodwill arising from the acquisition of VIA, STEL Group, IMI USA and IMI CZ amounting to $49.17 million, $45.13 million, $0.66 million, and $0.65 million, respectively, are recognized at consolidated level for both years ended December 31, 2016 and 2015.

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

	2016	2015	2014
Europe	**$458,851,700**	$426,440,705	$418,391,628
America	**204,853,252**	205,280,233	208,581,244
Japan	**40,861,642**	52,900,214	71,620,075
Rest of Asia/Others	**138,399,830**	129,742,952	145,881,122
	$842,966,424	$814,364,104	$844,474,069

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 14.97%, 13.29% and 12.63% of the Group's total revenue in 2016, 2015 and 2014, respectively.

The following table presents revenues per product type:

	2016	2015	2014
Automotive	**$377,639,245**	$349,864,147	$320,532,486
Telecommunication	**157,770,276**	151,351,589	176,669,820
Industrial	**150,801,775**	116,711,182	106,273,619
Consumer	**71,038,949**	84,232,744	101,939,801
Multiple market	**53,047,268**	63,060,796	66,556,982
Computer peripherals	**11,387,952**	21,825,130	49,137,199
Medical	**21,280,959**	27,318,516	23,364,162
	$842,966,424	$814,364,104	$844,474,069

The following table presents noncurrent assets based on their physical location:

	2016	2015
Europe	**$92,406,035**	$36,563,576
America	**31,286,745**	19,745,926
Rest of Asia/Others	**100,225,924**	86,067,143
	$223,918,704	$142,376,645

Noncurrent assets include property, plant and equipment, goodwill and intangible assets.

The following table presents the depreciation and amortization expense based on their physical location:

	2016	2015	2014
Europe	**$5,412,631**	$5,599,379	$5,800,582
America	**2,765,263**	2,013,240	1,611,235
Rest of Asia/Others	**16,283,900**	15,636,051	15,568,466
	$24,461,794	$23,248,670	$22,980,283

28. Lease Commitments

Operating Lease Commitments - Group as Lessee

Parent Company

The Parent Company entered into an amended lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease shall be for a period of three years, commencing on January 2, 2014 up to December 31, 2016, renewable at the option of the Parent Company upon such terms and conditions, and upon such rental rates as the parties may agree upon at the time of the renewal, taking into consideration comparable rental rates for similar properties prevailing at the time of renewal. The monthly rent shall be equivalent to ₱44.00 per sqm.

On March 7, 2014, the Parent Company executed a Lease Agreement with PEZA for the use of land located at the Blk 16 Phase 4 PEZA, Rosario, Cavite to be used exclusively for IMI Cavite's registered activities. The lease is for a period of 50 years renewable once at the option of the lessee for a period of not more than 25 years. The average monthly rental payment amounts to $2,072 in 2016 with an escalation rate every year.

IMI Singapore and STEL Group

IMI Singapore and STEL Group have various operating lease agreements in respect of office premises and land. These non-cancellable lease contracts have remaining non-cancellable lease terms of between one to ten years. Most of the lease contracts of IMI Singapore and STEL Group contain renewable options. There are no restrictions placed upon the lessee by entering into these leases.

On August 27, 2014, STEL Group entered into an agreement related to the sale and leaseback of the building with DBS Trustee Limited (DBSTL), in its capacity as trustee of Soilbuild Business Space Reit. The existing light industrial building is sited on a land area of 3,993 square meters and is held under lease issued by Jurong Town Corporation (JTC) for a term of 30 years from May 1, 2000 with a covenant by JTC to grant further term of 20 years subject to the terms and conditions of the lease.

The transaction was completed on December 23, 2014 with the approval of JTC for DBSTL to takeover the lease of STEL with JTC. Pursuant to a Lease Agreement, DBSTL will lease the property to STEL for a term of ten years.

IMI Japan
On February 15, 2010, IMI Japan entered into a 2-year lease contract with Kabushikigaisha Tokyu Community for the lease of office premises located in Nagoya, whereby it is committed to pay a monthly rental of ¥245,490, and monthly maintenance fee of ¥35,070, inclusive of tax. The lease contract provides for the automatic renewal of the lease contract, unless prior notice of termination is given to the lessor. On February 15, 2012, IMI Japan renewed its lease contract for another six years.

IMI USA
On November 16, 2014, IMI USA entered into a third amendment to a standard industrial commercial single tenant lease contract for an extended term of 5 years commencing from November 1, 2015 to October 31, 2020 with Roy G. Harris and Patricia S. Harris for the lease of office premises. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties. The lease provides for monthly rental payment of $12,927 during the first year of the lease term and shall be increased based on fixed rental adjustments as set forth in the contract.

PSi
Taguig facilities
PSi has a cancellable operating lease agreement with FTI for its plant facilities, office spaces and other facilities, for Lot Nos. 92-A-1, 92-B and 92 with lease term August 15, 2004 up to August 14, 2020 and January 1, 2016 up to December 31, 2017, respectively. The operating lease agreement with FTI provides for a 5% increase in rental per year starting on the second year and annually thereafter until the end of the lease term.

Laguna facilities
PSi leases its plant facilities, office spaces and other facilities in Calamba, Laguna from Centereach Resources, Inc. (CRI), an unrelated entity. The operating lease agreement will expire in March 2018.

In 2015, the operating lease agreement for the second facility was renewed and executed between CRI and the Company. The operating lease agreement commenced on October 16, 2015 and will expire on October 18, 2018. The operating lease agreement with CRI provides for increase in rental at varying rates over the term of the lease and a penalty interest rate of 3% per month using simple interest.

Accrued rent amounting to $0.08 million and $0.45 million as of December 31, 2016 and 2015, respectively, represents the difference in accounting for rent expenses versus the rental payments under the lease contract.

The aggregate rental expense of the Group recognized on those operating lease commitments are included in the "Facilities costs and others – outsourced activities", account under cost of goods sold and services and operating expenses in the consolidated statements of income amounting to $6.01 million in 2016, $5.91 million in 2015, and $5.37 million in 2014.

Future minimum rentals payable under operating leases of the Group as of December 31, 2016 and 2015 follow:

	2016	2015
Within one year	**$4,905,841**	$5,904,705
After one year but not more than five years	**13,686,398**	11,702,448
More than five years	**4,808,727**	5,727,526
	$23,400,966	$23,334,679

29. **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 years ended December 31, 2016, 2015 and 2014, the Group has not recorded any impairment on receivables, except for the receivable from Narra VC, relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

a. Transactions with BPI, an affiliate

   As of December 31, 2016 and 2015, the Group maintains current and savings accounts with BPI amounting to $0.93 million and $1.53 million, respectively.

   Total interest income earned from investments with BPI amounted to $4,247, $25,698 and $5,338 for the years ended December 31, 2016, 2015 and 2014, respectively.

   The Parent Company has receivables from the plan assets managed by BPI amounting to $0.30 million and $0.20 million for the years ended December 31, 2016 and 2015, respectively.

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

	Receivables/Deposits		Payables	
	2016	2015	**2016**	2015
ACEHI	**$482,844**	$–	**$–**	$–
AC	**–**	–	**584,070**	–
Innove Communication Inc. (ICI)	**–**	–	**276**	295
Globe Telecom, Inc. (GTI)	**–**	–	**6,023**	4,386
	$482,844	$–	**$590,369**	$4,681

   i. Transaction with ACEHI represents deposit required by the distribution utility (DU) in a form of cash in accordance with the distribution wheeling services agreement between ACEHI and the DU, to be returned to the Parent Company at the end of the contract term.

   ii. Payables to AC are nontrade in nature and pertain to transaction costs paid in advance in relation to VIA acquisition.

   iii. 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.

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

c. Outstanding balances of transactions with subsidiaries from the Parent Company's point of view follow:

	Receivables		Payables	
	2016	2015	**2016**	2015
IMI EU/MX Subsidiaries	**$24,100,160**	$22,298,478	**$8,570**	$71
PSi	**16,722,133**	13,471,568	**98,735**	99,229
IMI Singapore	**1,464,524**	1,010,247	**58,353**	–
IMI Japan	**992,531**	992,795	**604,196**	527,563
IMI USA	**261,963**	251,917	**370,856**	292,243
STEL	**191,271**	214,955	**1,449,193**	1,756,603
IMI ROHQ	**25,213**	362,925	**779,761**	1,162,377
	$43,757,795	$38,602,885	**$3,369,664**	$3,838,086

The outstanding balances are eliminated upon consolidation.

i. Receivables from IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI Japan, IMI USA and STEL are nontrade in nature and pertain to operating cash advances made by the Parent Company. These are noninterest-bearing and are due on demand.

   Advances to PSi and IMI EU/MX Subsidiaries have a 90-day term subject to interest rates ranging from 1.00%% to 2.88% in 2016, from 1.25% to 2.85% in 2015 and from 2.33% to 2.73% in 2014.

   Receivables from IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company's retirement plan upon availment. In 2016, the retirement expense is being included in the service fees billed by ROHQ to the Parent Company.

   Payables to STEL 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.

ii. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as an administrative, communications and coordinating center for its affiliates. These advances are noninterest-bearing and are payable on demand.

iii. Payables to IMI Japan and IMI USA are nontrade in nature and pertain to administrative expenses paid by the Parent Company on their behalf.

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

	Revenue/Income			Expenses		
	2016	2015	2014	**2016**	2015	2014
BPI	**$4,247**	$25,698	$6,021	**$–**	$–	$–
Manila Water Asia Pacific (MWAP)	**–**	–	9,868	**–**	–	–
TLI	**–**	–	7,371	**1,045,948**	1,093,559	1,115,426
AC	**–**	–	–	**687,142**	–	–
AG Legal	**–**	–	–	**197,308**	93,108	118,774
ICI	**–**	–	–	**92,923**	88,936	55,971
GTI	**–**	–	–	**85,755**	86,260	73,337
	$4,247	$25,698	$23,260	**$2,109,076**	$1,361,863	$1,363,508

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

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

ii. Rental income earned by STEL for the lease of its office premises to MWAP in 2014.

iii. Revenue from TLI pertains to administrative services such as professional, clerical, financial and accounting services provided by the Parent Company to TLI in 2014.

Expenses incurred from related party transactions include:

i. Rental expense from the lease contract with TLI (see Note 28).

ii. Transaction costs related to VIA acquisition advanced by AC.

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

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

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

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

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

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

Compensation of Key Management Personnel of the Group
Compensation of key management personnel by benefit type follows:

	2016	2015
Short-term employee benefits	**$7,940,519**	$8,825,529
Post-employment benefits	**280,248**	361,372
Share-based payments	**643,098**	1,442,721
	$8,863,865	$10,629,622

30. **Fair Values of Financial Instruments**

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

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

	Carrying Amounts		Fair Values	
	2016	2015	**2016**	2015
Financial assets:				
Derivative assets	**$67,062**	$66,117	**$67,062**	$66,117
AFS financial assets	**740,949**	583,510	**740,949**	583,510
	$808,011	$649,627	**$808,011**	$649,627
Financial liabilities:				
Derivative liabilities	**$10,567**	$10,567	**$10,567**	$10,567
Financial liabilities on put options	**11,334,282**	–	**11,334,282**	–
Noncurrent portion of:				
Long-term debt	**121,144,043**	34,648,756	**118,083,096**	33,311,349
	$132,488,892	$34,659,323	**$129,427,945**	$33,321,916

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

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

Financial liabilities on put options - These pertain to the liabilities of the Parent Company arising from the written put options over the non-controlling interest of VIA. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany. The risk-free rate used range from 0.02% to 0.15%. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

The current equity value of the acquiree is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

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 method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2016 and 2015 ranged from 1.00% to 2.91% and from 1.20% to 3.10%, respectively.

Fair Value Hierarchy

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

	December 31, 2016			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets measured at fair value:				
Derivative assets	**$67,062**	**$–**	**$–**	**$67,062**
AFS financial assets	**740,949**	**–**	**–**	**740,949**
	$808,011	**$–**	**$–**	**$808,011**
Liabilities measured at fair value:				
Derivative liabilities	**$10,567**	**$–**	**$–**	**$10,567**
Financial liabilities on put options	**–**	**–**	**11,334,282**	**11,334,282**
	$10,567	**$–**	**$11,334,282**	**$11,344,849**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$118,083,096**	**$118,083,096**

	December 31, 2015			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value:				
Derivative assets	$66,117	$–	$–	$66,117
AFS financial assets	583,510	–	–	583,510
	$649,627	$–	$–	$649,627
Liabilities measured at fair value -				
Derivative liabilities	$10,567	$–	$–	$10,567
Liabilities for which fair values are disclosed -				
Long-term debt	$–	$–	$33,311,349	$33,311,349

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

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

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

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	1%-3% (2%)	1% increase in growth rate would result in an increase in fair value by $0.91 million. Decrease in growth rate by 1% would result in a fair value decrease of $0.65 million.
		Discount rate	10%-13% (12%)	1% increase in discount rate would result in a decrease in fair value by $0.78 million. Decrease in discount rate by 1% would result in a fair value increase of $1.44 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $2.31 million. Decrease in the probability to 1% would result in a decrease in fair value by $5.60 million.

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

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

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

The Group's risk management policies are summarized below:

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended December 31, 2016 and 2015. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Income before Tax	
Increase/Decrease in Basis Points	**2016**	2015
+100	**($85,505)**	($686,214)
-100	**85,505**	686,214

The following table shows the information about the Group's debt as of December 31, 2016 and 2015 that are exposed to interest rate risk presented by maturity profile:

	2016	2015
Within one year	**$7,051,886**	$40,775,609
One to five years	**1,498,600**	27,845,749
	$8,550,486	$68,621,358

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities based on contractual undiscounted payments:

	2016				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial assets					
Cash and cash equivalents*	**$75,816,054**	**$10,648,980**	**$–**	**$–**	**$86,465,034**
Financial liabilities					
Accounts payable and accrued expenses:					
Trade payables	**–**	**136,114,721**	**–**	**–**	**136,114,721**
Accrued expenses**	**–**	**12,907,253**	**–**	**–**	**12,907,253**
Accrued compensation and benefits	**–**	**21,685,525**	**–**	**–**	**21,685,525**
Nontrade payables	**–**	**8,050,234**	**–**	**–**	**8,050,234**
Accrued interest payable	**–**	**–**	**769,072**	**–**	**769,072**
Derivative liabilities	**–**	**10,567**	**–**	**–**	**10,567**
Due to related parties	**–**	**590,369**	**–**	**–**	**590,369**
Others	**–**	**1,701,386**	**–**	**–**	**1,701,386**
Financial liabilities on put options	**11,334,282**	**–**	**–**	**–**	**11,334,282**
Trust receipts and loans payable	**–**	**34,341,720**	**17,103,449**	**–**	**51,445,169**
Current portion of long-term debt	**–**	**5,222,000**	**2,108,200**	**854,853**	**8,185,053**
Noncurrent portion of long-term debt	**–**	**115,367**	**338,288**	**122,463,114**	**122,916,769**
	11,334,282	**220,739,142**	**20,319,009**	**123,317,967**	**375,710,400**
	$64,481,772	**($210,090,162)**	**($20,319,009)**	**($123,317,967)**	**($289,245,366)**

	2015				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial assets					
Cash and cash equivalents*	$67,108,584	$34,338,174	$–	$–	$101,446,758
Financial liabilities					
Accounts payable and accrued expenses:					
Trade payables	–	103,563,112	–	–	103,563,112
Accrued expenses**	–	11,753,000	–	–	11,753,000
Accrued compensation and benefits	–	23,263,280	–	–	23,263,280
Nontrade payables	–	5,121,760	–	–	5,121,760
Employee-related payables**	–	149,444	–	–	149,444
Accrued interest payable	–	–	509,027	–	509,027
Derivative liabilities	–	10,567	–	–	10,567
Due to related parties	–	4,681	–	–	4,681
Others	–	1,538,689	–	–	1,538,689
Trust receipt and loans payable	–	–	42,449,644	–	42,449,644
Current portion of long-term debt	–	–	43,296,039	–	43,296,039
Noncurrent portion of long-term debt	–	187,856	563,568	34,836,960	35,588,384
	–	145,592,389	86,818,278	34,836,960	267,247,627
	$67,108,584	($111,254,215)	($86,818,278)	($34,836,960)	($165,800,869)

** Excluding cash on hand.*
*** Excluding statutory payables.*

Credit lines
The Group has credit lines with different financing institutions as of December 31, 2016 and 2015, as follows:

	2016		2015	
Financial Institution	**Credit Limit**	**Available Credit Line**	Credit Limit	Available Credit Line
Local:				
USD	**54,000,000**	**44,550,000**	64,000,000	54,800,000
PHP	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Foreign:				
USD	**89,318,841**	**56,318,841**	76,544,838	43,544,838
Singapore Dollar (SGD)	**17,000,000**	**17,000,000**	25,000,000	25,000,000
EUR	**9,830,000**	**6,897,783**	9,830,000	7,626,802

<u>Credit Risk</u>
Credit risk is the risk that the Group’s counterparties to its financial assets will fail to discharge their contractual obligations. The Group’s major credit risk exposure relates primarily to its holdings of cash and cash equivalents, and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group’s credit standards. The credit evaluation reflects the customer’s overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant.

The Group’s maximum exposure to credit risk as of December 31, 2016 and 2015 is the carrying amounts of the financial assets. The Group’s maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 37% and 40% of trade receivables relating to three major customers as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the aging analysis of receivables and miscellaneous deposits follows:

	December 31, 2016							
		Neither Past Due Nor	Past Due but not Impaired					Specifically
	Total	Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Impaired
Trade	**$192,152,117**	**$155,163,040**	**$24,242,735**	**$5,877,578**	**$2,927,958**	**$1,632,926**	**$1,712,327**	**$595,553**
Nontrade	**3,804,516**	**3,667,305**	**3,191**	**16,807**	**14,248**	**1,220**	**39,171**	**62,574**
Receivable from insurance	**1,860,624**	**789,365**	–	–	–	–	–	**1,071,259**
Receivable from employees	**553,745**	**549,388**	–	–	–	–	–	**4,357**
Due from related parties	**299,713**	**299,713**	–	–	–	–	–	–
Others	**1,265,782**	**1,265,782**	–	–	–	–	–	–
	$199,936,497	**$161,734,593**	**$24,245,926**	**$5,894,385**	**$2,942,206**	**$1,634,146**	**$1,751,498**	**$1,733,743**
Miscellaneous deposits	**$2,512,368**	**$2,512,368**	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**

	December 31, 2015							
		Neither Past Due Nor	Past Due but not Impaired					Specifically
	Total	Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Impaired
Trade	$165,831,122	$141,317,546	$18,807,293	$3,520,896	$196,297	$281,231	$1,164,059	$543,800
Nontrade	1,737,293	1,223,268	105,264	71,430	73,791	77,572	118,206	67,762
Receivable from insurance	1,066,414	–	–	–	–	–	–	1,066,414
Receivable from employees	735,464	687,268	6,193	6,153	1,695	74	16,643	17,438
Due from related parties	196,341	196,341	–	–	–	–	–	–
Others	1,420,361	1,420,361	–	–	–	–	–	–
	$170,986,995	$144,844,784	$18,918,750	$3,598,479	$271,783	$358,877	$1,298,908	$1,695,414
Miscellaneous deposits	$1,897,070	$1,897,070	$–	$–	$–	$–	$–	$–

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2016 and 2015:

	December 31, 2016					
	Neither Past Due nor Impaired				Past Due or	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk	Individually Impaired	Total
Cash and cash equivalents	**$86,465,034**	**$–**	**$–**	**$–**	**$–**	**$86,465,034**
Receivables:						
Trade	**3,853,310**	**151,309,730**	**–**	**–**	**36,989,077**	**192,152,117**
Nontrade	**3,667,305**	**–**	**–**	**–**	**137,211**	**3,804,516**
Receivable from insurance	**789,365**	**–**	**–**	**–**	**1,071,259**	**1,860,624**
Receivable from employees	**549,388**	**–**	**–**	**–**	**4,357**	**553,745**
Due from related parties	**299,713**	**–**	**–**	**–**	**–**	**299,713**
Others	**1,265,782**	**–**	**–**	**–**	**–**	**1,265,782**
AFS financial assets	**740,949**	**–**	**–**	**–**	**1,753,589**	**2,494,538**
Miscellaneous deposits	**2,512,368**	**–**	**–**	**–**	**–**	**2,512,368**
	$100,143,214	**$151,309,730**	**$–**	**$–**	**$39,955,493**	**$291,408,437**

	December 31, 2015					
	Neither Past Due nor Impaired				Past Due or	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk	Individually Impaired	Total
Cash and cash equivalents	$101,497,653	$–	$–	$–	$–	$101,497,653
Receivables:						
Trade	4,456,008	136,861,538	–	–	24,513,576	165,831,122
Nontrade	1,223,268	–	–	–	514,025	1,737,293
Receivable from insurance	–	–	–	–	1,066,414	1,066,414
Receivable from employees	687,268	–	–	–	48,196	735,464
Due from related parties	196,341	–	–	–	–	196,341
Others	1,420,361	–	–	–	–	1,420,361
AFS financial assets	583,510	–	–	–	1,753,589	2,337,099
Miscellaneous deposits	1,897,070	–	–	–	–	1,897,070
	$111,961,479	$136,861,538	$–	$–	$27,895,800	$276,718,817

The Group classifies credit quality as follows:

Minimal Risk - Credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - Credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - Credit could be extended under a confirmed and irrevocable LC and subject to semi-annual review for possible upgrade.

High Risk - Transaction should be under advance payment or confirmed and irrevocable Stand-By LC; subject to quarterly review for possible upgrade after one year.

Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the USD against other currencies. As a result of significant operating expenses in PHP, the Group's consolidated statements of income can be affected significantly by movements in the USD versus the PHP. In 2015 and 2014, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency. Approximately 53**%** and 47% of the Group's sales for the years ended December 31, 2016 and 2015, respectively, and 43**%** and 39% of costs for the years ended December 31, 2016 and 2015, respectively, are denominated in currencies 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 hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

Philippine Peso (₱)

	2016		2015	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$3,188,406**	**₱158,548,273**	$10,517,705	₱494,950,826
Receivables	**676,493**	**33,639,648**	764,995	35,999,784
Miscellaneous deposits	**1,059,645**	**52,692,422**	1,221,963	57,504,123
Accounts payable and accrued expenses	**(17,222,268)**	**(856,403,199)**	(19,141,155)	(900,760,226)
Net retirement liabilities	**(3,174,729)**	**(157,868,158)**	(5,288,105)	(248,852,011)
Other noncurrent liabilities	**(398,392)**	**(19,810,638)**	(420,976)	(19,810,638)
Net foreign currency-denominated liabilities	**($15,870,845)**	**(₱789,201,652)**	($12,345,573)	(₱580,968,142)

Euro (€)

	2016		2015	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$19,841,755**	**€18,998,233**	$22,622,321	€20,588,206
Receivables	**73,091,714**	**69,984,406**	37,983,693	34,568,341
Accounts payable and accrued expenses	**(49,795,811)**	**(47,678,869)**	(18,370,780)	(16,718,948)
Long-term debt	**(7,457,958)**	**(7,140,902)**	(8,621,358)	(7,846,158)
Net foreign currency-denominated assets	**$35,679,700**	**€34,162,868**	$33,613,876	€30,591,441

Renminbi (RMB)

	2016		2015	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$16,577,471**	**RMB115,209,331**	$12,006,713	RMB77,879,699
Receivables	**60,578,249**	**421,003,887**	61,492,725	398,863,107
Accounts payable and accrued expenses	**(42,505,531)**	**(295,402,952)**	(35,463,931)	(230,031,336)
Net foreign currency-denominated assets	**$34,650,189**	**RMB240,810,266**	$38,035,507	RMB246,711,470

Sensitivity Analysis
The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2016 and 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** 2016	2015
PHP	+1%	**$88,429**	$82,143
	-1%	**(88,429)**	(82,143)
EUR	+1%	**(211,361)**	(323,885)
	-1%	**211,361**	323,885
RMB	+1%	**(197,413)**	482,952
	-1%	**197,413**	(482,952)

Derivatives
The Parent Company and IMI BG entered into various short-term currency forwards with an aggregate notional amount of $9.00 million in 2016 and $11.00 million and €16.25 million ($14.79 million) in 2015. As of December 31, 2016 and 2015, the outstanding forward contracts have a net positive fair value of $0.06 million. The changes in fair value of currency forwards recognized in 2016 and 2015 amounted to $0.11 million loss and $0.23 million gain, respectively. The changes in fair value of currency forwards are recognized in the consolidated statements of income under "Foreign exchange gains (losses) - net" account.

Fair Value Changes on Derivatives
The net movements in the fair value of the Group's derivative instruments as of December 31, 2016 and 2015 follow:

	2016	2015
Derivative assets:		
At beginning of year	**$66,117**	$–
Fair value of currency forwards	**100,807**	243,475
Fair value of settled currency forwards	**(99,862)**	(177,358)
At end of year	**$67,062**	$66,117
Derivative liabilities:		
At beginning of year	**$10,567**	$–
Fair value of currency forwards	**214,262**	18,313
Fair value of settled currency forwards	**(214,262)**	(7,746)
At end of year	**$10,567**	$10,567

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

No changes were made in the objectives, policies and processes for the years ended December 31, 2016 and 2015.

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

	2016	2015
Trust receipts and loans payable	**$51,445,169**	$42,297,356
Long-term bank borrowings	**122,742,296**	68,621,358
Total bank debt	**174,187,465**	110,918,714
Less cash and cash equivalents	**86,548,735**	101,532,409
Net bank debt	**$87,638,730**	$9,386,305
Equity attributable to equity holders of the Parent Company	**$236,606,259**	$232,242,928
Debt-to-equity ratio	**0.74:1**	0.48:1
Net debt-to-equity ratio	**0.37:1**	0.04:1

The Group is not subject to externally imposed capital requirements.

32. **Contingencies**

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

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

33. **Notes to Consolidated Statements of Cash Flows**

The Group's noncash investing activities includes capitalization by the Group of depreciation related to the development phase of certain projects amounting to $1.90 million for 2016 and insurance receivables amounting to $0.79 million in relation to insurance for damages to property, plant and equipment.

34. **Events after Balance Sheet Date**

On February 15, 2017, the Parent Company's Board of Directors approved the proposed decrease of authorized capital stock of the Parent Company to reflect the retirement of the redeemed ₱1.3 billion redeemable preferred shares and the corresponding amendment to the Articles of Incorporation.