SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended**: September 30, 2017**

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

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

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

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office: **North Science Avenue, Laguna Technopark-Special Processing Zone (LT-SEZ), Bo. Biñan, Biñan, Laguna**
Postal Code: **4024**

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

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

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

Title of Each Class	Number of Shares Issued and Outstanding
Common *	1,867,293,215

* Net of 15,892,224 treasury shares;

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

1,883,185,439 common shares are listed with the Philippine Stock Exchange, including 15,892,224 treasury shares as of September 30, 2017.

12. Indicate by check mark whether the registrant:

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

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(With Comparative Audited Figures as of December 31, 2016)
(In thousand dollars)

	(Unaudited) Sep 30, 2017	(Audited) Dec 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$62,571**	$86,549
Receivables - net (Note 5)	**260,525**	198,203
Inventories (Note 6)	**177,853**	106,132
Other current assets (Note 7)	**24,862**	16,091
Total Current Assets	**525,811**	406,975
Noncurrent Assets		
Property, plant and equipment - net (Note 8)	**156,833**	117,405
Goodwill (Notes 2 and 16)	**142,871**	96,045
Intangible assets (Note 9)	**20,898**	10,469
Available-for-sale financial assets (Note 18)	**758**	741
Deferred tax assets	**1,412**	1,552
Other noncurrent assets	**2,216**	2,722
Total Noncurrent Assets	**324,988**	228,934
	$850,799	$635,909
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**$262,764**	$195,676
Loans and trust receipts payable (Note 11)	**128,458**	51,445
Financial liabilities (Notes 2 and 13)	**26,356**	11,334
Current portion of long-term debt (Note 12)	**6,539**	8,185
Income tax payable	**4,869**	3,451
Total Current Liabilities	**428,986**	270,091
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 12 and 18)	**127,248**	121,144
Advances from customers	**995**	1,138
Net retirement liabilities	**3,982**	4,092
Deferred tax liabilities	**3,050**	1,276
Accrued rent	**85**	85
Other noncurrent liabilities (Notes 2 and 13)	**25,589**	216
Total Noncurrent Liabilities	**160,949**	127,951
Total Liabilities	**589,935**	398,042

(Forward)

	(Unaudited) Sep 30, 2017	(Audited) Dec 31, 2016
EQUITY (Note 14)		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$35,470**	$34,936
Subscribed capital stock	**1,298**	1,857
Additional paid-in capital	**58,088**	70,928
Subscriptions receivable	**(10,976)**	(12,335)
Retained earnings unappropriated	**184,597**	168,932
Treasury stock	**(1,013)**	(1,013)
Reserve for fluctuation on available-for-sale financial assets	**413**	369
Cumulative translation adjustment	**(4,253)**	(20,640)
Other comprehensive loss	**(6,428)**	(6,428)
	257,196	236,606
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**3,668**	1,261
Total Equity	**260,864**	237,867
	$850,799	$635,909

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousand dollars, except Earnings per Share)

	Unaudited 2017		Unaudited 2016	
	Jul to Sep	**Jan to Sep**	**Jul to Sep**	**Jan to Sep**
REVENUES FROM SALES AND SERVICES	**$294,201**	**$795,224**	$205,998	$615,739
COST OF GOODS SOLD AND SERVICES	**261,659**	**705,732**	181,781	544,200
GROSS PROFIT	**32,542**	**89,492**	24,217	71,539
OPERATING EXPENSES	**(23,904)**	**(59,523)**	(16,068)	(42,708)
OTHERS - Net				
Interest and bank charges	**(1,907)**	**(4,829)**	(829)	(2,341)
Foreign exchange gains (losses)	**335**	**1,774**	82	(1,063)
Interest income	**38**	**136**	262	210
Miscellaneous income - net	**707**	**2,132**	60	196
INCOME BEFORE INCOME TAX	**7,811**	**29,182**	7,724	25,833
PROVISION FOR INCOME TAX	**(1,182)**	**(4,954)**	(1,869)	(5,015)
NET INCOME	**$6,629**	**$24,228**	$5,855	$20,818
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**$7,063**	**$24,099**	$5,853	$20,820
Non-controlling interests	**(434)**	**129**	2	(2)
	$6,629	**$24,228**	$5,855	$20,818
Earnings Per Share (Note 15)				
Basic and diluted		**$0.013**		$0.011

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousand dollars)

	Unaudited 2017		Unaudited 2016	
	Jul to Sep	**Jan to Sep**	**Jul to Sep**	**Jan to Sep**
NET INCOME FOR THE PERIOD	**$6,629**	**$24,228**	$5,855	$20,818
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	**4,570**	**16,387**	869	2,059
Fair value changes on available-for-sale financial assets	**17**	**44**	19	61
	4,587	**16,431**	888	2,120
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:				
Remeasurement gains on defined benefit plans	**–**	**–**	–	58
	4,587	**16,431**	888	2,178
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**$11,216**	**$40,659**	$6,743	$22,996
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**$11,656**	**$40,530**	$6,741	$22,998
Non-controlling interests	**(434)**	**129**	2	(2)
	$11,216	**$40,659**	$6,743	$22,996

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017, AND 2016 AND FOR THE YEAR ENDED DECEMBER 31, 2016

(in thousand dollars)

	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)	$1,261	$237,867
Issued shares during the period	534	(534)	–	–	–	–	–	–	–	–	–
Cost of share-based payments	–	–	235	–	–	–	–	–	–	–	235
Collections on subscriptions	–	–	–	1,136	–	–	–	–	–	–	1,136
Forfeitures during the period	–	(25)	(198)	223	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–	–	2,278	2,278
Cash dividends (Note 14)	–	–	–	–	(8,434)	–	–	–	–	–	(8,434)
	35,470	1,298	58,088	(10,976)	160,498	(1,013)	369	(20,640)	(6,428)	3,539	220,205
Net income	–	–	–	–	24,099	–	–	–	–	129	24,228
Other comprehensive income (loss)	–	–	–	–	–	–	44	16,387	–	–	16,431
Total comprehensive income (loss)	–	–	–	–	24,099	–	44	16,387	–	129	40,659
Balances at September 30, 2017	**$35,470**	**$1,298**	**$58,088**	**($10,976)**	**$184,597**	**($1,013)**	**$413**	**($4,253)**	**($6,428)**	**$3,668**	**$260,864**

	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	–	–	636	–	–	–	–	–	–	–	–	636
Forfeitures during the period	–	(45)	(253)	298	–	–	–	–	–	–	–	–
Collections on subscriptions	–	–	–	460	–	–	–	–	–	–	–	460
Increase in noncontrolling interest due to acquisition of subsidiary (Note 2)	–	–	–	–	–	–	–	–	–	–	1,676	1,676
Cash dividends (Note 14)	–	–	–	–	(8,621)	–	–	–	–	–	–	(8,621)
	34,936	1,861	82,911	(12,374)	140,816	(1,013)	251	(16,545)	(6,296)	171	1,871	226,589
Net income (loss)	–	–	–	–	20,820	–	–	–	–	–	(2)	20,818
Other comprehensive income	–	–	–	–	–	–	61	2,059	58	–	–	2,178
Total comprehensive income (loss)	–	–	–	–	20,820	–	61	2,0590	58	–	(2)	22,996
Balances at September 30, 2016	34,936	$1,861	$82,911	($12,374)	$161,636	($1,013)	$312	($14,486)	($6,238)	$171	$1,869	$249,585

	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 Interests	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
Issued shares during the year	2	(2)	–	–	–	–	–	–	–	–	–	–
Cost of share-based payments	–	–	744	–	–	–	–	–	–	–	–	744
Collections on subscriptions	–	–	–	462	–	–	–	–	–	–	–	462
Forfeitures during the year	–	(48)	(286)	335	–	–	–	–	–	–	–	–
Effect of recognition of financial liability arising from put options on business combination	–	–	(12,058)	–	–	–	–	–	–	–	–	(12,058)
Increase in non-controlling interest due to the acquisition of a subsidiary during the year	–	–	–	–	–	–	–	–	–	–	1,356	1,356
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	(171)	(190)	(360)
Cash dividends	–	–	–	–	(8,621)	–	–	–	–	–	–	(8,621)
	34,936	1,857	70,928	(12,335)	140,816	(1,013)	251	(16,545)	(6,296)	–	1,361	213,961
Net income (loss)	–	–	–	–	28,116	–	–	–	–	–	(100)	28,016
Other comprehensive income (loss)	–	–	–	–	–	–	118	(4,095)	(132)	–	–	(4,110)
Total comprehensive income (loss)	–	–	–	–	28,116	–	118	(4,095)	(132)	–	(100)	23,906
Balances at December 31, 2016	$34,936	$1,857	$70,928	($12,335)	$168,932	($1,013)	$369	($20,640)	($6,428)	$–	$1,261	$237,867

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousand dollars)

	Unaudited	
	Sep 30, 2017	Sep 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$29,182**	$25,833
Adjustments for:		
Depreciation of property, plant and equipment (Note 8)	**19,015**	17,908
Interest expense	**4,829**	2,341
Amortization of intangible assets (Note 9)	**3,764**	1,663
Impairment loss	**525**	–
Cost of share-based payments	**235**	636
Gains on sale of property, plant and equipment	**(611)**	(64)
Unrealized foreign exchange losses - net	**(323)**	(436)
Mark-to-market gains	**(177)**	–
Interest income	**(136)**	(211)
Operating income before working capital changes	**$56,303**	47,670
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Inventories	**(52,686)**	(15,694)
Loans and receivables	**(39,396)**	(24,288)
Other current assets	**(5,076)**	(8,697)
Increase (decrease) in:		
Accounts payable and accrued expenses	**36,163**	29,300
Advances from third party	**6,615**	–
Retirement liabilities and other long-term benefits	**(146)**	(727)
Advances from customers	**(143)**	127
Accrued rent	–	(357)
Net cash generated from operations	**1,634**	27,334
Interest received	**148**	223
Interest paid	**(3,692)**	(2,453)
Income tax paid	**(3,223)**	(4,092)
Net cash provided by (used in) operating activities	**(5,133)**	21,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment (Note 8)	**(46,295)**	(38,659)
Intangible assets (Note 9)	**(2,686)**	(2,437)
Capitalized development costs (Note 9)	**(3,646)**	–
Acquisition through business combination, net of cash acquired (Note 2)	**(25,704)**	(46,814)
Proceeds from sale of property, plant and equipment	**1,602**	298
Decrease (increase) in other noncurrent assets	**506**	(212)
Net cash used in investing activities	**(76,223)**	(87,824)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans	**87,789**	77,263
Payment of loans	**(23,608)**	(17,119)
Dividends paid to equity holders of the Parent Company (Note 14)	**(8,435)**	(8,621)
Collections of subscriptions receivable	**1,136**	460
Net cash provided by financing activities	**56,882**	51,983
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**496**	(211)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23,978)**	(15,040)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**86,549**	101,532
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	**$62,571**	$86,492

1. Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements for the nine months period ended September 30, 2017 have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 (Amended), *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2016 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.

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

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

The unaudited interim condensed consolidated financial statements are presented in United States (U.S.) Dollar ($), and all values are rounded to the nearest thousands except when otherwise indicated.

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on November 3, 2017.

2. Group Information

Information about Subsidiaries

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

Subsidiary	Percentage of Ownership 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) [b]	**100.00%**	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE)	**100.00%**	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) [c]	**100.00%**	100.00%	China	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	USD
Speedy-Tech (Philippines), Inc. (STPH) [d]	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	USA	USD

Subsidiary	Percentage of Ownership **2017**	2016	Country of Incorporation	Functional Currency
Monarch Elite Ltd. (Monarch) [a]	**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)
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. [g]	**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	
Surface Technology International Enterprises Ltd (STI)	**80.00%**	–	United Kingdom	British Pounds (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) [h]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [h]	**64.00%**	64.00%	Philippines	USD

[a] On June 19, 2017, Monarch agreed to sell its net target assets and transfer its membership rights to IMI Singapore.
[b]On August 1, 2014, IMI CD changed its functional currency from USD to RMB.
[c] On June 30, 2014, STEL Group's BOD passed a resolution to wind up STCQ. The dissolution was completed in 2016.
[d] 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.
[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] On March 1, 2014, IMI MX changed its functional currency from MXP to USD.
[h] 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.

On March 29, 2017, AYC Holdings, Ltd. ("AYCH"), IMI's parent company and 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"), also a wholly-owned subsidiary of Ayala Corporation, through a special block sale of IMI shares on March 29, 2017 as approved by the Philippine Stock Exchange 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.

<u>Business Combinations</u>

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 approval.

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 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	11,777
Inventories	15,676
Prepayments and other current assets	3,695
Property, plant and equipment	7,650
	42,844
Liabilities	
Trade accounts payable	5,102
Accrued expenses	2,162
Other current liabilities	15,742
Short-term debt	14,206
Long-term debt	259
Other noncurrent liabilities	1,284
	38,755
Net Assets	**$4,089**
Cost of acquisition	$54,726
Less: Share in the fair value of net assets acquired (80.00%)	3,271
Provisional goodwill	**$51,455**
Non-controlling interest (20.00%)	**$818**

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.

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:

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 GBP23.00 million ($29.75 million) upon signing of the agreement was paid in cash. The deferred 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 GBP19.88 ($25.72 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 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% • 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	Right to require the Buyers to buy from	Period commencing upon the earlier of:	100% of the fair value of the relevant Option Interests

[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
	Collectively)	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	• 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.	

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 September 30, 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 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.

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.

As of September 30, 2017, 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
Prepayments and 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**
Cost of acquisition	53,464	$53,463
Less: Share in the fair value of net assets acquired (76.01%)	8,924	4,295
Goodwill	**$44,540**	**$49,168**
Non-controlling interest (23.99%)	**$2,816**	**$1,356**

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Group as of September 30, 2017 and December 31, 2016 and for each of the nine months period ended September 30, 2017 and 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.

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 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 do not have any material impact to the Group.

<u>Standards and Interpretation Issued but not yet Effective</u>
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, 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.

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

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

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

1. Financial assets and financial liabilities at FVPL;
2. Loans and receivables;
3. Held-to-maturity (HTM) investments;
4. AFS financial assets; and
5. Other financial liabilities.

The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every balance sheet date.

The financial instruments of the Group as of June 30, 2017 and December 31, 2016 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), loans and trust receipts 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 18.

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

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

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

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

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

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

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

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

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

Offsetting of Financial Instruments

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

Derecognition of Financial Instruments

Financial asset

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

- The right to receive cash flows from the asset have expired; or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either:

  a. The Group has transferred substantially all the risks and rewards of the asset; or
  b. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liability

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

Impairment of Financial Assets

The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

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

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

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. “Significant” is evaluated against the original cost of the investments and “prolonged” against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that investments previously recognized in profit or loss - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

<u>Inventories</u>
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.

<u>Noncurrent Assets Held for Sale</u>
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.

<u>Property, Plant and Equipment</u>
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
Machineries and facilities equipment	7
Building improvements	5
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
Patents and trademarks	5
Product development cost	5
Computer software	3

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.

Impairment of Nonfinancial Assets

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

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

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

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

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

<u>Provisions</u>
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.

<u>Equity</u>
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.

<u>Revenue Recognition</u>
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.

<u>Expenses</u>
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.

<u>Foreign Currency Transactions</u>
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, GBP, CZK, and RSD. 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, Peoples Republic of China (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.

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

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

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

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

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

Operating Segments
The Group is organized and managed separately according to geographical locations of the subsidiaries. The geographical segments are segregated as follows: Philippines, Singapore/China, Europe, Mexico, Germany/UK (VIA/STI), and USA/ Japan. These geographical businesses are the basis upon which the Group reports its operating segment information presented in Note 16.

Leases

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

Operating and finance lease commitments - Group as lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in the "Property, plant and equipment" account, with the corresponding liability to the lessor included in the "Accounts payable and accrued expenses" account for the current portion, and "Noncurrent portion of obligation under finance lease" account for the noncurrent portion in the consolidated balance sheets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized under "Interest expense and bank charges" account in the consolidated statements of income.

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

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the respective lease terms.

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

Contingencies

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

Events after the Balance Sheet Date

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

4. **Cash and Cash Equivalents**

This account consists of:

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Cash on hand	**$84**	$84
Cash in banks	**57,595**	75,816
Short-term investments	**4,892**	10,649
	$62,571	$86,549

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

5. **Receivables - net**

This account consists of:

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Trade	**$252,737**	$192,152
Nontrade	**7,523**	3,804
Receivable from insurance	**1,077**	1,861
Receivable from employees	**581**	554
Due from related parties (Note 17)	**518**	483
Others	**26**	1,083
	262,462	199,937
Less allowance for doubtful accounts	**1,937**	1,734
	$260,525	$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 $1.94 million as of September 30, 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 nine-month period ended September 30, 2017 and 2016 amounted to $0.25 million and ($0.05) million, respectively. Reversals during the period form part of “Operating Expenses” account.

6. Inventories

Reversals for inventory obsolescence and allowance for decline in inventories, recognized for the nine-month period ended September 30, 2017 and 2016 amounted to ($0.18) million and ($1.51) million, respectively.

7. Other Current Assets

This account consists of:

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Tax credits	**$9,103**	$3,585
Prepayments	**7,128**	2,372
Advances to suppliers	**5,300**	8,839
Input taxes	**2,352**	525
Noncurrent assets held for sale (Note 8)	**362**	362
Derivative assets	**61**	67
Others	**556**	341
	$24,862	$16,091

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

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.

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. The carrying value of the manufacturing facility amounted to $0.36 million included as part of building and improvement (see Note 8).

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

8. Property, Plant and Equipment - net

<u>September 30, 2017 (Unaudited)</u>

	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	**$75,240**	**$131,993**	**$19,926**	**$1,701**	**$7,716**	**$8,857**	**$245,433**
Additions	**4,310**	**25,390**	**3,098**	**405**	**530**	**12,562**	**46,295**
Acquisition through business combination (Note 2)	**483**	**7,153**	**14**	**–**	**–**	**–**	**7,650**
Disposals	**(647)**	**(3,694)**	**(818)**	**(317)**	**(721)**	**(514)**	**(6,711)**
Forward							

	Buildings and Improvements	Machineries and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Transfers	**5,106**	**8,048**	**271**	**29**	**19**	**(13,473)**	**–**
Foreign currency exchange difference	**2,195**	**6,498**	**661**	**93**	**(82)**	**796**	**10,161**
At end of year	**86,687**	**$175,388**	**23,152**	**1,911**	**7,462**	**8,228**	**$302,828**
Accumulated depreciation							
At beginning of year	**37,015**	**70,588**	**14,770**	**591**	**3,332**	**–**	**126,296**
Depreciation	**2,795**	**14,148**	**1,457**	**348**	**267**	**–**	**19,015**
Depreciation capitalized as development cost	**–**	**(482)**	**–**	**–**	**–**	**–**	**(482)**
Disposals	**(423)**	**(4,302)**	**(459)**	**(291)**	**(245)**	**–**	**(5,720)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign currency exchange difference	**502**	**4,335**	**237**	**67**	**1**	**–**	**5,142**
At end of year	**39,889**	**84,287**	**16,005**	**715**	**3,355**	**–**	**144,251**
Accumulated impairment losses							
At beginning and end of year	**737**	**995**	**12**	**–**	**–**	**–**	**1,744**
Net book value	**$46,061**	**$90,106**	**$7,135**	**$1,196**	**$4,107**	**$8,228**	**$156,833**

December 31, 2016 (Audited)

	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	$72,114	$108,898	$17,900	$1,468	$5,490	$9,509	$215,379
Additions	7,976	26,216	1,901	685	2,235	9,331	48,344
Acquisition through business combination (Note 2)	138	1,949	167	7	98	790	3,149
Disposals	(366)	(9,971)	(480)	(401)	(367)	–	(11,585)
Asset held for sale (Note 8)	(6,492)	–	–	–	–	–	(6,492)
Transfers	2,409	7,271	573	4	261	(10,518)	–
Foreign currency exchange difference	(539)	(2,370)	(135)	(62)	(1)	(255)	(3,362)
At end of year	75,240	131,993	19,926	1,701	7,716	8,857	245,433
Accumulated depreciation							
At beginning of year	39,525	64,001	13,632	539	2,848	–	120,545
Depreciation	3,750	16,390	1,648	478	206	–	22,472
Depreciation capitalized as development cost	236	1,579	47	5	29	–	1,896
Disposals	(278)	(9,447)	(470)	(379)	(2)	–	(10,576)
Asset held for sale (Note 7)	(6,130)	–	–	–	–	–	(6,130)
Transfers	(1)	(262)	11	–	252	–	–
Foreign currency exchange difference	(87)	(1,673)	(98)	(52)	(1)	–	(1,911)
At end of year	37,015	70,588	14,770	591	3,332	–	126,296
Accumulated impairment losses							
At beginning and end of year	737	983	12	–	–	–	1,732
Net book value	$37,488	$60,422	$5,144	$1,110	$4,384	$8,857	$117,405

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

	Sep 30, 2017 (Unaudited)	Sep 30, 2016 (Unaudited)
	(In thousands)	
Cost of goods sold and services	**$16,939**	$15,930
Operating expenses	**2,076**	1,978
	$19,015	$17,908

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the nine-month period ended September 30, 2017 and 2016 amounting to $0.61 million in 2017 and $0.08 million, respectively.

9. **Intangible Assets**

Movements in this account are as follows:

	September 30, 2017					
	Customer Relationships	**Unpatented Technology**	**Computer Software**	**Intellectual Properties**	**Product Development**	**Total**
Cost						
At beginning of year	**$19,667**	**100**	**9,010**	**464**	**5,900**	**35,141**
Additions	**–**	**–**	**2,686**	**–**	**–**	**2,686**
Capitalized development costs	**–**	**–**	**–**	**–**	**3,646**	**3,646**
Acquisition through business combination (Note 2)	**–**	**–**	**–**	**7,848**	**–**	**7,848**
Foreign currency exchange difference	**–**	**–**	**733**	**60**	**–**	**793**
At end of year	**19,667**	**100**	**12,429**	**8,372**	**9,546**	**50,114**
Accumulated amortization						
At beginning of year	**19,667**	**100**	**4,840**	**65**	**–**	**24,672**
Amortization	**–**	**–**	**999**	**1,570**	**1,195**	**3,764**
Foreign currency exchange difference	**–**	**–**	**255**	**–**	**–**	**255**
At end of year	**19,667**	**100**	**6,094**	**1,635**	**1,195**	**28,691**
Accumulated impairment loss					**525**	**525**
Net book value	**$–**	**$–**	**$6,335**	**$6,737**	**$7,826**	**$20,898**

	December 31, 2016					
	Customer Relationships	**Unpatented Technology**	**Computer Software**	**Intellectual Properties**	**Product Development**	**Total**
Cost						
At beginning of year	$19,667	$100	$5,384	$–	$–	$25,151
Additions	–	–	3,886	–	–	3,886
Capitalized development costs	–	–	–	–	5,900	5,900
Acquisition through business combination (Note 2)	–	–	–	493	–	493
Foreign currency exchange difference	–	–	(260)	(29)	–	(289)
At end of year	19,667	100	9,010	464	5,900	35,141
Accumulated amortization						
At beginning of year	18,877	100	3,775	–	–	22,752
Amortization	790	–	1,132	68	–	1,990
Foreign currency exchange difference	–	–	(67)	(3)	–	(70)
At end of year	19,667	100	4,840	65	–	24,672
Net book value	$–	$–	$4,170	$399	$5,900	$10,469

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.

The full amount amounting to $19.67 million is fully amortized as of September 30, 2017.

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.

The Group finalized the purchased price allocation for the acquisition and VIA and determined increase in fair value amounting to $8.64 million (see Note 2). This 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 fair value of the IP was determined using relief from royalty method taking into account the royalty savings of owning an IP. Weighted average cost of capital used to value the IP was at 10.35%.

Deferred tax liability on the increase in fair value of intellectual properties was recognized amounting to $1.76 million. Amortization of deferred tax liability amounted to $0.35M for the nine months period ended September 30, 2017.

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.

Impairment loss amounting to $0.50 million was recognized for one project for the nine months period ended September 30, 2017. The impairment loss was included under "Operating Expenses" in the unaudited consolidated statement of income.

Research expenditure recognized as expense amounted to $0.43 million and $0.06 million for the nine months period ended September 30, 2017 and 2016.

Amortization expense included in "Cost of goods sold and services" and "Operating expenses" accounts follows:

	Sep 30, 2017 (Unaudited)	Sep 30, 2016 (Unaudited)
	(In thousands)	
Cost of goods sold and services	**$1,064**	$25
Operating expenses	**2,513**	1,638
	$3,577	$1,663

10. **Accounts Payable and Accrued Expenses**

This account consists of:

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Trade payables	**$175,296**	$136,115
Accrued expenses	**23,667**	16,677
Nontrade payables	**22,358**	8,050
Accrued compensation and benefits	**19,527**	21,686
Advances from a third party	**13,154**	6,538
Advances from customers	**3,483**	2,568
Accrued interest payable	**1,646**	769
Taxes payable	**1,445**	1,094
Employee-related contributions	**804**	455
Customers' deposits	**749**	897
Derivative liabilities	**46**	11
Due to related parties (Note 16)	**–**	590
Others	**589**	226
	$262,764	$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.

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 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. **Trust Receipts and Loans Payable**

This account consists of borrowings of the following entities:

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Parent Company	**$90,000**	$25,000
STEL	**16,000**	8,000
VIA	**11,233**	7,903
STI	**9,855**	–
IMI CZ	**1,156**	1,093
PSi	**214**	9,449
	$128,458	$51,445

Parent Company
As of September 30, 2017 and December 31, 2016, the Parent Company has short-term loans aggregating to $90.00 million and $25.00 million respectively, with maturities ranging from 30 to 180 days, and fixed annual interest rates ranging from 1.67% to 2.21% in 2017 and 1.23% to 1.24% in 2016.

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 $0.24 million and $0.25 million as of September 30, 2017 and December 31, 2016, respectively.

The loan and trust receipts balances were settled in the first half of 2017.

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 September 30, 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) and €2.0 million ($2.09 million) as of September 30, 2017 and December 31, 2016, respectively, with term of 90 days with renewable options and bears interest rate of 1.95% 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%.

STI
The loans of STI consists of short-term loan from UK bank denominated in GBP amounting to £3.4 million ($4.54 million) with a term of 90 days, and bears interest rate of 3.10% per annum and loan

from local banks amounting to $5.32 million with terms ranging from 140 to 210 days and bears interest rate ranging from 3.09% to 4.7% per annum.

12. **Long-Term Debt**

This account consists of borrowings of the following entities:

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Parent Company	**$125,000**	$120,222
Cooperatief	**5,016**	6,587
IMI CZ	**3,376**	1,818
IMI BG	**295**	418
VIA	**100**	284
	133,787	129,329
Less current portion:		
Parent Company	**–**	5,222
Cooperatief	**5,016**	2,108
IMI CZ	**1,187**	529
IMI BG	**236**	209
VIA	**100**	117
	6,539	8,185
Noncurrent portion	**$127,248**	$121,144

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 October 6, 2016, the Parent Company obtained a $40.0 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 2.68%.

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 3.08%, whichever is higher. Interests are payable quarterly in arrears on each interest payment date.

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 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.

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.
Below is the amortization schedule:

Due Dates	In EUR	In USD
2018	4,249	5,016
	€4,249	**$5,016**

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 1.20% and matures on July 31, 2019.

IMI BG
IMI BG has a long-term debt from BNP Paribas amounting to $0.30 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**

	Sep 30, 2017 (Unaudited)	Sep 30, 2016 (Unaudited)
	(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 pertains 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 “Other noncurrent liabilities” account in the 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 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 as of record date of February 23, 2016 payable on March 10, 2016.

15. **Earnings per Share**

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	Sep 30, 2017 (Unaudited)	Sep 30, 2016 (Unaudited)
	(In thousands)	
Net income	**$24,094**	$20,820
Less dividends on preferred stock	**–**	–
	$24,094	$20,820
Weighted average number of common shares outstanding	**1,861,995**	1,863,556
Basic and diluted	**$0.013**	$0.011

As of September 30, 2017 and 2016, the Parent Company has no dilutive potential common shares.

16. **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 nine-month period ended September 30, 2017 and 2016:

September 30, 2017	Philippines		Singapore/ China	Europe	Mexico	Germany/UK (VIA/STI)	USA/Japan	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue:									
Third party	$169,741	$27,506	$198,167	$200,621	$62,749	$136,244	$195	$–	$795,224
Intersegment	673	–	976	–	–	–	3,496	(5,145)	–
Total revenue	$170,414	$27,506	$199,143	$200,621	$62,749	$136,244	$3,691	($5,145)	$795,224
Segment interest income	$1,007	$2	$101	$–	$–	$2	$0	($976)	$136
Segment interest expense and bank charges	($3,235)	($458)	($315)	($798)	($205)	($219)	($5)	$976	($4,828)
Segment profit (loss) before income tax	$7,629	($689)	($2,141)	$20,517	$1,049	$2,614	$241	($44)	$29,176
Segment provision for income tax	(1,078)	(32)	(81)	(2,347)	(273)	(1,131)	(12)	–	(4,954)
Segment profit (loss) after income tax	$6,551	($721)	($2,222)	$18,170	$776	$1,483	$229	($44)	$24,222
Net income (loss) attributable to the equity holders of the Parent Company	$6,551	($721)	($2,222)	$18,170	$776	$1,360	$229	($44)	$24,099

September 30, 2016 (Unaudited)	Philippines		Singapore/ China	Europe	Mexico	USA/Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue								
Third party	$166,409	$24,340	$195,803	$179,957	$48,896	$334	$–	$615,739
Inter-segment	159	–	3,604	–	–	3,086	(6,249)	–
Total revenue	$166,568	$24,340	$199,407	$179,957	$48,896	$3,420	($6,249)	$615,739
Segment interest income	$647	$1	$125	$33	$–	$–	($595)	$211
Segment interest expense and bank charges	($1,546)	($302)	($211)	($426)	($248)	($3)	$595	($2,341)
Segment profit (loss) before income tax	$7,006	($2,337)	($3,051)	$23,961	($147)	$575	($174)	$25,833
Segment provision for income tax	(878)	–	(1,206)	(2,567)	(362)	(2)	–	(5,015)
Segment profit (loss) after income tax	$6,128	($2,337)	($4,257)	$21,394	($509)	$573	($174)	$20,818
Net income (loss) attributable to the equity holders of the Parent Company	$6,128	($2,337)	($4,255)	$21,394	($509)	$573	($174)	$20,820

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

For the nine-month period ended September 30, 2017, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $5.14 million and intersegment cost of sales and operating expenses amounting to $1.17 million and $3.97 million, respectively.

For the nine-month period ended September 30, 2016, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $6.85 million and intersegment cost of sales and operating expenses amounting to $0.83 million and $6.02 million, respectively.

The following table presents segment assets of the Group's geographical segments as of September 30, 2017 and December 31, 2016:

	Philippines		Singapore/ China	Europe	Mexico	Germany/UK (VIA/STI)	USA/ Japan	Consoli-dation and Eliminations	Total
	Parent Company	PSi							
September 30, 2017 (Unaudited)	**$399,254**	**$15,037**	**$231,321**	**$249,862**	**$92,600**	**$105,249**	**$3,438**	**($245,373)**	**$851,388**
December 31, 2016 (Audited)	$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 $195.34 million and $98.94 million as of September 30, 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:

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
STI	**$51,455**	$–
VIA	**44,540**	49,168
STEL	**45,128**	45,128
Parent Company	**1,098**	1,098
IMI CZ	**650**	650
	$142,871	$96,044

The following table presents revenues from external customers based on customer's nationality:

	Sep 30, 2017 (Unaudited)	Sep 30, 2016 (Unaudited)
	(In thousands)	
Europe	**$376,016**	$330,094
America	**170,587**	156,160
Japan	**32,039**	30,738
Asia/Others	**216,582**	98,747
	$795,224	$615,739

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 nine-month period ended September 30, 2017 and 2016, respectively.

The following table presents revenues per product type:

	Sep 30, 2017 (Unaudited)	Sep 30, 2016 (Unaudited)
	(In thousands)	
Automotive	**$323,230**	$277,509
Consumer	**152,060**	41,430
Industrial	**131,526**	113,398
Telecom	**108,862**	120,671
Medical	**15,454**	16,111
Aerospace / Defense	**12,567**	–
Multiple markets / Others	**51,525**	46,620
	$795,224	$615,739

17. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the nine-month period ended September 30, 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 September 30, 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 $6.8K and $2.8K for the quarters ended September 30, 2017 and 2016, respectively.

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

	Receivables/Deposits		Payables	
	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)	**Sep 30, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
Bank of the Philippine Island (BPI)	**$372**	–	**$–**	$–
AC Energy Holdings, Inc. (ACEHI)	**146**	483	**–**	–
AC	–	–	**–**	584
Globe Telecom, Inc. (GTI)	–	–	**–**	6
	$518	$483	**$–**	$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	
	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)	**Sep 30, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
IMI EU/MX Subsidiaries	**$36,365**	$24,100	**$517**	$9
PSi	**26,206**	16,722	**102**	99
IMI Japan	**985**	993	**421**	604
STEL	**369**	191	**1,994**	1,449
IMI USA	**250**	262	**48**	371
IMI ROHQ	**6**	25	**502**	780
IMI Singapore	**–**	1,465	**–**	58
	$64,181	$43,758	**$3,584**	$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	
	Sep 30, 2017 (Unaudited	Sep 30, 2016 (Unaudited)	**Sep 30, 2017 (Unaudited)**	Sep 30, 2016 (Unaudited)
BPI	**$7**	$2	**$–**	$–
ACEHI	**–**	–	**4,062**	–
Direct Power Services Inc. (DPSI)	**–**	–	**2,255**	–
Technopark Land, Inc (TLI)	**–**	–	**775**	792
AC	**–**	–	**77**	–
GTI	**–**	–	**61**	60
ICI	**–**	–	**41**	72
Ayala Group Legal (AGL)	**–**	–	**38**	84
	$7	$2	**$7,309**	$1,008

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.

18. 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 September 30, 2017 and December 31, 2016:

	Carrying Amounts		Fair Values	
	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)	**Sep 30, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
Financial assets:				
Derivative assets	**$61**	$67	**$61**	$67
AFS financial assets	**758**	741	**758**	741
	$819	$808	**$819**	$808
Financial liabilities:				
Derivative liabilities	**$46**	$11	**$46**	$11
Financial liabilities	**26,356**	11,334	**26,356**	11,334
Noncurrent portion of:				
Long-term debt	**127,248**	121,144	**124,864**	118,083
Other noncurrent liabilities	**24,570**	–	**24,570**	–
	$178,220	$132,489	**$175,836**	$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 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 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 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 2017 and 2016 ranged from 1.20% to 5.35% and from 1.00% to 2.91%, respectively.

Other noncurrent liabilities - this pertains to the contingent consideration related to the acquisition of STI determined based on probability-weighted payout discounted at 12% at the date of acquisition to determine its fair value.

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

	September 30, 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:				
Derivative assets	$61	$–	$–	$61
AFS financial assets	758	–	–	758
	$819	$–	$–	$819
Recurring liabilities measured at fair value:				
Derivative liabilities	$46	$–	$–	$46
Financial liabilities on put options	–	–	26,356	26,356
Other noncurrent liabilities	–	–	24,570	24,570
	$46	$–	$50,926	$50,972

	September 30, 2017			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$124,864	$124,864
	$–	$–	$124,864	$124,864

	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
	$808	$–	$–	$ 808
Recurring liabilities measured at fair value:				
Derivative liabilities	$11	$–	$–	$11
Financial liabilities on put options	–	–	11,334	11,334
	$11	$–	$11,334	$11,345
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	Sep 30, 2017
Financial liabilities on put options	**$11,334**	**$13,469**	**($218)**	**$1,365**	**$25,950**
Financial liability (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 $2.77 million. Decrease in the probability to 1% would result in a decrease in fair value by $6.18 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	GBP0 to GBP23.3 million ($0 to $30.20 million)	GBP0 to GBP23.3 million ($0 to $30.20 million)

19. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, composed of trust receipts and loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents, 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 June 30, 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	**Sep 30, 2017 (Unaudited)**	Sep 30, 2016 (Unaudited
+100	**($36)**	($361)
-100	**36**	361

The following table shows the information about the Group's debt as of September 30, 2017 and 2016 that are exposed to interest rate risk presented by maturity profile:

	Sep 30, 2017 (Unaudited)	Sep 30, 2016 (Unaudited
Within one year	**$2,579**	$46,383
One to five years	**2,248**	1,802
	$4,827	$48,185

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 September 30, 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 23% and 40% of trade receivables relating to three major customers as of September 30, 2017 and December 31, 2016, respectively.

As of September 30, 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**
September 30, 2017 (Unaudited)	**$252,737**	**$220,234**	**$18,667**	**$4,653**	**$2,064**	**$1,585**	**$4,776**	**$758**
December 31, 2016 (Audited)	$192,152	$155,163	$24,243	$5,878	$2,928	$1,633	$1,712	$595

<u>*Foreign Currency Risk*</u>
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 (₱)

	Sep 30, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$1,302**	**₱66,166**	$3,188	₱158,548
Receivables	**1,690**	**85,868**	676	33,640
Miscellaneous deposits	**691**	**35,137**	1,060	52,692
Accounts payable and accrued expenses	**(16,618)**	**(844,395)**	(17,222)	(856,403)
Net retirement liabilities	**(3,274)**	**(166,372)**	(3,175)	(157,868)
Other noncurrent liabilities	**(390)**	**(19,811)**	(398)	(19,811)
Net foreign currency-denominated liabilities	**($16,599)**	**(₱843,407)**	($15,871)	(₱789,202)

Euro (€)

	Sep 30, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$20,070**	**€17,004**	$19,842	€18,998
Receivables	**100,436**	**85,092**	73,092	69,984
Accounts payable and accrued expenses	**(66,918)**	**(56,696)**	(49,796)	(47,678)
Long-term debt	**(6,165)**	**(5,223)**	(7,458)	(7,141)
Net foreign currency-denominated assets	**$47,423**	**€40,177**	$35,680	€34,163

Renminbi (RMB)

	Sep 30, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$12,247**	**RMB81,286**	$16,577	RMB115,209
Receivables	**62,341**	**413,757**	60,578	421,004
Accounts payable and accrued expenses	**(47,792)**	**(297,284)**	(42,505)	(295,403)
Net foreign currency-denominated assets	**$29,796**	**RMB197,759**	$34,650	RMB125,810

British Pound (GBP)

	Sep 30, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	**In GBP**	In USD	In GBP
Cash and cash equivalents	**$763**	**£569**	$23	£19
Receivables	**16,502**	**12,299**	–	–
Accounts payable and accrued expenses	**(29,140)**	**(21,717)**	(2)	(2)
Net foreign currency-denominated assets	**($11,875)**	**(£8,849)**	$21	£17

<u>Sensitivity Analysis</u>
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 September 30, 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	**Sep 30, 2017 (Unaudited)**	Dec 31, 2016 (Audited)
PHP	+1%	**$102**	$88
	-1%	**(102)**	(88)
EUR	+1%	**(696)**	(211)
	-1%	**696**	211
RMB	+1%	**(281)**	(197)
	-1%	**281**	197
GBP	+1%	**158**	1
	-1%	**(158)**	(1)

<u>Capital Management</u>
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 September 30, 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.

	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
Trust receipts and loans payable	**$128,458**	$51,445
Long-term bank borrowings	**128,771**	122,742
Total bank debt	**257,229**	174,187
Less cash and cash equivalents	**62,571**	86,549
Net bank debt	**$194,658**	$87,638

Equity attributable to equity holders of the Parent Company	**$257,196**	$236,606
Debt-to-equity ratio	**1:1**	0.74:1
Net debt-to-equity ratio	**0.76:1**	0.37:1

The Group is not subject to externally imposed capital requirements.

20. **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	**Sep 30, 2017 (Unaudited)**
Dividends payable	$–	$–	($8,435)	$–	$8,435	$–	$–	**$–**
Loans and trust receipts payable	51,445	76,019	(15,096)	–	–	14,206	1,884	**128,458**
Current portion of long-term debt	8,185	590	(7,662)	4,479	–	129	818	**6,539**
Long-term debt	121,144	11,180	(850)	(4,479)	–	129	124	**127,248**
	$180,774	$87,789	(32,043)	$–	$8,435	$14,464	$2,826	**$262,245**

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 nine months ended 30 September	
	2017	**2016**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$795,224**	$615,739
Cost of Goods Sold and Services	**705,732**	544,200
Gross Profit	**89,492**	71,539
Net Income Attributable to Equity Holders of the Parent Company	**24,099**	20,820
EBITDA[v]	**54,346**	47,338
Basic Earnings per Share (EPS)	**$0.013**	$0.011

Revenues from Sales and Services

The Company posted $795.2 million (₱39.94 billion,) revenues for the first nine 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 15 percent year-on-year to $263.4 million in the first nine 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 $197.9 million strengthened by new industrial applications despite drop in demand in the security and medical device business.

The company's China operations posted $198.2 million in revenues, up 1 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 Optronics and STI International, contributed a combined $136.2 million in revenues.

The Company's key focus markets, automotive and industrial which grew 16% 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$89.5 million or ₱ 4.49 billion, higher year-on-year by 25% mainly from VIA's surge in revenues and increase in sales for the Philippine operations driven by new industrial applications.

Operating Income

Operating income reached $30 million or ₱1.50 billion, a 4% increase from last year. Increase in GP was countered by increase in general and administrative expenses mainly from VIA, 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.

Net Income

The Company reported net income of $24.2 million or ₱1.21 billion, an increase of 16% percent year-on-year driven by high revenues, better profitability, beneficial FX position and other non-operating income. Net income after tax % is at 3.0%.

EBITDA

EBITDA higher by US$7.2 million or 15% due to higher operating income before depreciation and amortization +US$4.3 million and beneficial FX position +$2.8 million.

Financial Condition

The company's current capital structure is at 1:1 D/E ratio. The recent increase is driven by strong capital expenditures of $49.0 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	
	Sep 30, 2017	**Dec 31, 2016**
Performance indicators		
Liquidity:		
Current ratio[a]	1.23x	1.51x
Solvency:		
Debt-to-equity ratio[b]	1.00x	0.74x

	For the nine months ended 30 Sep	
	2017	2016
Operating efficiency:		
Revenue growth[c]	29%	-2%
Profitability:		
Gross profit margin[d]	11.3%	11.5%
Net income margin[e]	3.0%	3.4%
Return on equity[f]	9.7%	8.7%
Return on common equity[g]	9.7%	8.7%
Return on assets[h]	2.8%	3.2%
[vi]EBITDA margin	6.8%	7.7%

[a] Current assets/current liabilities
[b] Bank debts/Equity attributable to equity holders of the Parent Company
[c] (Current year less previous year revenue)/Previous year revenue
[d]Gross profit/Revenues
[e]Net income attributable to equity holders of the Parent Company/Revenues
[f] Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent
[g] Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent
[h] Net income attributable to equity holders of the Parent Company/Total Assets

In the above:

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

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

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

(iv) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations.

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

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

[vi] 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.

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

Income Statement Items
(Nine months ended 30 September 2017 versus 30 September 2016)

29% increase in Revenues ($615.7M to $795.2M)
The increase was driven by the surge in revenues of VIA, four months contribution of STI and increase in demand across all sites.

30% increase in Cost of goods sold ($544.2M to $705.7M)
Driven by the 29% increase in revenues.

39% increase in Operating expenses ($42.7M to $59.5M)
The increase was attributable to the newly-acquired subsidiary VIA and STI, transaction costs related to STI acquisition and increase in headcount and people costs to support new programs.

74% decrease in Other non-operating expenses (-$3.0M to $0.8M)
Beneficial FX position (+$2.8 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 (-$2.5M) related to loans to support acquisition and expansions.

6550% increase in Noncontrolling interest (-$0.002M to $0.13M)
Share of minority in the net income of VIA (23.99%) and STI (20%).

Balance Sheet items
(30 September 2017 versus 31 December 2016)

28% decrease in Cash and cash equivalents ($86.5M to $62.6M)
Cash used by operating activities -$5.1M from increase in working capital; cash used in investing -$76.2M from increased capital expenditure to support line expansion and new programs; cash provided by financing $56.9M mainly due to availment of loans related to acquisition and expansion programs.

31% increase in Loans and receivables ($198.2M to $260.5M)
Increase mainly due to higher sales compared to Q42016 and consolidation of STI's management accounts.

68% increase in Inventories ($106.1M to $177.9M)
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.

55% increase in Other current assets ($16.1M to $24.9M)
Increase is attributable to increase in tax credits in Europe and Mexico and consolidation of STI's management accounts.

34% increase in Property, plant and equipment ($117.4M to $156.8M)
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.

49% increase in Goodwill ($96.0M to $142.9M)
Goodwill recognized for the acquisition of STI amounting to $52.2 million.

100% increase in Intangible assets ($10.5M to $20.9M)
Increase mainly from the fair value of intellectual properties recognized in the acquisition of VIA (+$__ million), increase in capitalized costs arising from the development phase of certain projects under qualification (+$3.6M) and additional software costs.

34% increase in Accounts payable and accrued expenses ($195.7M to $262.8M)
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 30 September 2017 versus the year ended 31 December 2016:

	Sep 30 2017	Dec 31 2016
Compensation and benefits	**$19,356**	$21,555
Taxes	**5,588**	3,787
Light and water	**1,662**	1,141
Professional fees	**2,047**	1,331
Interest payable	**1,646**	769
Sales return	**395**	382
Sales commission	**171**	131
Subcontracting costs	**76**	157
Supplies	**1,177**	206
Others	**12,722**	9,672
	$44,840	$39,131

150% increase in Loans and trust receipts payable ($51.4M to $128.5M)
Availments related to acquisition of STI and loans to fund expansions.

233% increase in Financial liabilities ($11.3M to $26.4M)
Put options and contingent consideration related to STI acquisition.

20% decrease in Current portion of long-term debt ($8.2M to $6.5M)
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.

139% increase in Deferred tax liabilities ($1.3M to $3.1M)
Deferred tax recognized on the increase in fair value of intellectual properties related to STI acquisition

11846% increase in Noncurrent liabilities ($0.2M to $25.6M)
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.

80% increase in Cumulative translation adjustments (-$20.6M to -$4.3M)
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 1.18.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended September 30, 2017 and 2016 and December 31, 2016

Ratios	Formula	Sep 30, 2017	Sep 30, 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	**0.76**		1.05
(iii) Debt/Equity ratio	Bank debts / Equity attributable to parent	**1.00**		0.74
(iv) Asset to Equity ratio	Total Assets / Equity attributable to parent	**3.31**		2.69
(v) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**7.02**	11.95	
(vi) Profitability ratios				
GP margin	Gross Profit / Revenues	**11.3%**	11.6%	
Net profit margin	Net Income after Tax / Revenues	**3.0%**	3.4%	
EBITDA margin	EBITDA / Revenues	**6.8%**	7.7%	
Return on assets	Net Income after Tax / Total Asset	**2.8%**	3.2%	
Return on equity	Net Income after Tax / Average equity attributable to parent	**9.7%**	8.7%	
Return on common equity	Net Income after Tax / Average common equity attributable to parent	**9.7%**	8.7%	

	(in US$'000)		
	Sep 30, 2017	**Sep 30, 2016**	**Dec 31, 2016**
Current Assets	525,811		406,975
Current Liabilities	428,986		270,091
Total Assets	850,799	654,241	635,909
Bank Debts	257,229		174,187
Equity attributable to parent	257,196		236,606
Average equity attributable to parent	247,257	239,980	234,425
Average common equity attributable to parent	247,257	239,980	234,425
Revenues	795,224	615,739	
Gross Profit	89,492	71,539	
Net income attributable to equity holders of the parent	24,099	20,820	
Earnings before interest and taxes	33,881	27,963	
Interest expense	4,829	2,341	
EBITDA	54,346	47,338	

PART II--OTHER INFORMATION

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

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

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

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

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

   - Board Committees and Memberships:

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

   Audit 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

3. Disclosure on IMI Stock Rights Offering

In compliance with the disclosure requirements of the Philippine Stock Exchange (“PSE”), this is to advise you that on November 12, 2017, the Executive Committee of Integrated Micro-Electronics Inc. (“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.

AC Industrial Technology Holdings, Inc. and Resins Inc. have indicated their support of the Rights Issue.

IMI has appointed BPI Capital Corporation as Global Coordinator, Bookrunner and Domestic Underwriter for the Rights Issue.

SIGNATURES

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

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

By:

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

Date: November 8, 2017

JEROME S. TAN
Chief Finance Officer

Date: November 8, 2017