

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2019**
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 *	2,217,293,215

\* Net of 15,892,224 treasury shares;

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

2,217,293,215 common shares are listed with the Philippine Stock Exchange, including 15,892,224 treasury shares as of March 31, 2019.

12. Indicate by check mark whether the registrant:

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

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**

**INTERIM CONSOLIDATED BALANCE SHEET**

**AS OF JUNE 30, 2019**

**(With Comparative Audited Figures as of December 31, 2018)**

**(In thousands)**

	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited, as Restated - Note 2)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	\$142,516	\$108,534
Receivables - net (Note 5)	302,500	311,904
Contract assets (Note 6)	65,241	63,484
Inventories (Note 7)	173,802	192,663
Other current assets (Note 8)	25,800	20,824
Total Current Assets	709,859	697,409
<b>Noncurrent Assets</b>		
Property, plant and equipment - net (Note 9)	201,189	196,828
Goodwill (Note 17)	141,718	140,451
Intangible assets - net (Note 10)	29,352	29,821
Right-of-use assets (Note 3)	30,254	–
Deferred tax assets	5,097	3,156
Financial assets at FVOCI	1,148	1,076
Other noncurrent assets	8,820	8,456
Total Noncurrent Assets	417,578	379,788
	\$1,127,437	\$1,077,197
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 11)	\$272,729	\$291,175
Contract liabilities (Note 6)	1,234	1,831
Loans and trust receipts payable (Note 12)	110,912	136,339
Other financial liabilities (Notes 14 and 19)	23,482	29,805
Current portion of long-term debt (Note 13)	61,357	63,432
Current portion of lease liabilities (Note 3)	5,991	–
Income tax payable	2,221	3,531
Total Current Liabilities	477,926	526,113
<b>Noncurrent Liabilities</b>		
Noncurrent portion of long-term debt (Notes 13 and 19)	140,795	124,543
Net retirement liabilities	4,152	4,233
Deferred tax liabilities	5,845	6,356
Lease liabilities (Note 3)	24,919	67
Other noncurrent liabilities (Note 19)	4,921	5,250
Total Noncurrent Liabilities	180,632	140,449
Total Liabilities	658,558	666,562

(Forward)

	<b>Jun 30, 2019</b> <b>(Unaudited)</b>	Dec 31, 2018 (Audited, as Restated - Note 2)
<b>EQUITY</b> (Note 15)		
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock - common	<b>\$42,659</b>	\$42,648
Subscribed capital stock	<b>769</b>	815
Additional paid-in capital	<b>146,212</b>	146,513
Subscriptions receivable	<b>(3,021)</b>	(3,403)
Unappropriated retained earnings	<b>239,317</b>	237,970
Treasury stock	<b>(1,013)</b>	(1,013)
Other components of equity	<b>(1,067)</b>	(1,096)
Cumulative translation adjustment	<b>(15,271)</b>	(13,156)
Remeasurement losses on defined benefit plans	<b>(6,236)</b>	(6,236)
	<b>402,349</b>	403,042
<b>Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries</b>		
	<b>6,530</b>	7,593
<b>Deposit for future subscription</b> (Notes 15 and 18)	<b>60,000</b>	-
<b>Total Equity</b>	<b>468,879</b>	410,635
	<b>\$1,127,437</b>	\$1,077,197

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
(In thousands, except Earnings per Share)

	Unaudited 2019		Unaudited 2018	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b> (Note 17)	<b>\$312,649</b>	<b>\$635,698</b>	\$342,998	\$668,788
<b>COST OF SALES</b>	<b>284,824</b>	<b>578,738</b>	305,727	596,924
<b>GROSS PROFIT</b>	<b>27,825</b>	<b>56,960</b>	37,271	71,864
<b>OPERATING EXPENSES</b>	<b>(26,099)</b>	<b>(51,560)</b>	(30,995)	(56,602)
<b>OTHERS - Net</b>				
Interest and bank charges	(3,830)	(7,102)	(3,125)	(6,430)
Foreign exchange losses	(1,002)	(1,742)	(4,831)	(2,404)
Interest income	370	462	398	481
Miscellaneous income – net	7,359	8,884	30,283	30,167
<b>INCOME BEFORE INCOME TAX</b>	<b>4,623</b>	<b>5,902</b>	29,001	37,076
<b>PROVISION FOR INCOME TAX</b>	<b>390</b>	<b>(1,181)</b>	(2,581)	(4,838)
<b>NET INCOME</b>	<b>\$5,013</b>	<b>\$4,721</b>	\$26,420	\$32,238
<b>Net Income (Loss) Attributable to:</b>				
Equity holders of the Parent Company	\$5,449	\$5,784	\$26,018	\$31,575
Non-controlling interests	(436)	(1,063)	402	663
	<b>\$5,013</b>	<b>\$4,721</b>	\$26,420	\$32,238
<b>Earnings Per Share:</b>				
Basic and diluted (Note 16)		<b>\$0.003</b>		\$0.015

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
(In thousands)

	2019 (Unaudited)		2018 (Unaudited)	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
<b>NET INCOME FOR THE PERIOD</b>	<b>\$5,013</b>	<b>\$4,721</b>	<b>\$5,818</b>	<b>\$32,238</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translation of foreign operations	<b>3,497</b>	<b>(2,063)</b>	4,565	(5,358)
<i>Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:</i>				
Fair value changes on financial assets at FVOCI – net of tax	<b>(21)</b>	<b>29</b>	111	199
	<b>3,476</b>	<b>(2,034)</b>	4,676	(5,159)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$8,489</b>	<b>\$2,687</b>	<b>\$10,494</b>	<b>\$27,079</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>				
Equity holders of the Parent Company	<b>\$8,925</b>	<b>\$3,750</b>	\$10,233	\$26,416
Non-controlling interests	<b>(436)</b>	<b>(1,063)</b>	261	663
	<b>\$8,489</b>	<b>\$2,687</b>	<b>\$10,494</b>	<b>\$27,079</b>

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In thousands)

For the Six Months Ended June 30, 2019 (Unaudited)

	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)				Total	
							Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests		Deposit for Future subscription
Balances at January 1, 2019	\$42,648	\$815	\$146,513	(\$3,403)	\$236,290	(\$1,013)	(\$1,096)	(\$12,894)	(\$6,236)	\$4,812	\$-	\$406,436
Effect of finalization of business combination (Note 2)	-	-	-	-	1,680	-	-	(314)	-	2,781	-	4,147
Balances at January 1, 2019, as restated	42,648	815	146,513	(3,403)	237,970	(1,013)	(1,096)	(13,208)	(6,236)	7,593	-	410,583
Issued shares during the period	11	(11)	-	-	-	-	-	-	-	-	-	-
Deposit for future subscription (Notes 15 and 18)	-	-	-	-	-	-	-	-	-	-	60,000	60,000
Collections on subscriptions	-	-	-	46	-	-	-	-	-	-	-	46
Forfeitures during the period	-	(35)	(301)	336	-	-	-	-	-	-	-	-
Cash dividends (Note 15)	-	-	-	-	(4,437)	-	-	-	-	-	-	(4,437)
	42,659	769	146,212	(3,021)	233,533	(1,013)	(1,096)	(13,208)	(6,236)	7,593	60,000	466,192
Net income	-	-	-	-	5,784	-	-	-	-	(1,063)	-	4,721
Other comprehensive income (loss)	-	-	-	-	-	-	29	(2,063)	-	-	-	(2,034)
Total comprehensive income (loss)	-	-	-	-	5,784	-	29	(2,063)	-	(1,063)	-	2,687
<b>Balances at June 30, 2019</b>	<b>\$42,659</b>	<b>\$769</b>	<b>\$146,212</b>	<b>(\$3,021)</b>	<b>\$239,317</b>	<b>(\$1,013)</b>	<b>(\$1,067)</b>	<b>(\$15,271)</b>	<b>(\$6,236)</b>	<b>\$6,530</b>	<b>\$60,000</b>	<b>\$468,879</b>

For the Six Months Ended June 30, 2018 (Unaudited)

	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)				Total	
							Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests		
Balances at January 1, 2018	\$35,710	\$1,058	\$58,121	(\$5,352)	\$194,500	(\$1,013)	\$454	(\$2,302)	(\$7,437)	\$3,091	-	\$276,594
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	-	-	-	-	6,413	-	(1,753)	-	-	296	-	4,956
Balances at January 1, 2018, adjusted	35,710	1,058	58,121	(5,352)	200,913	(1,013)	(1,299)	(2,302)	(7,437)	3,387	-	281,550
Issued shares during the period (Note 15)	199	(199)	-	-	-	-	-	-	-	-	-	-
Issued shares from stock rights offer (Note 15)	6,718	-	89,213	-	-	-	-	-	-	-	-	95,931
Transaction costs on shares issuance	-	-	(661)	-	-	-	-	-	-	-	-	(661)
Cost of share-based payments	-	-	20	-	-	-	-	-	-	-	-	20
Collections on subscriptions	-	-	-	1,566	-	-	-	-	-	-	-	1,566
Forfeitures during the period	-	(17)	(175)	192	-	-	-	-	-	-	-	-
Increase in non-controlling interest due to acquisition of subsidiary during the period	-	-	-	-	-	-	-	-	-	-	535	535
Effect of finalization of business combination	-	-	-	-	(10,130)	-	-	-	-	-	(51)	(51)
Cash dividends (Note 15)	-	-	-	-	-	-	-	-	-	-	-	(10,130)
	42,627	842	146,518	(3,594)	190,783	(1,013)	(1,299)	(2,302)	(7,437)	3,871	-	368,760
Net income	-	-	-	-	31,575	-	-	-	-	-	663	32,238
Other comprehensive income	-	-	-	-	-	-	199	(5,358)	-	-	-	(5,159)
Total comprehensive income	-	-	-	-	31,575	-	199	(5,358)	-	-	663	27,079
<b>Balances at June 30, 2018</b>	<b>\$42,627</b>	<b>\$842</b>	<b>\$146,518</b>	<b>(\$3,594)</b>	<b>\$222,358</b>	<b>(\$1,013)</b>	<b>(\$1,100)</b>	<b>(\$7,660)</b>	<b>(\$7,437)</b>	<b>\$4,534</b>	<b>-</b>	<b>\$395,839</b>

For the Year Ended December 31, 2018 (Audited, as Restated)

	Other Comprehensive Income (Loss)									Total	
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans		Attributable to Non-controlling Interests
Balances at January 1, 2018	\$35,710	\$1,058	\$58,121	(\$5,352)	\$194,500	(\$1,013)	\$454	(\$2,538)	(\$7,437)	\$3,091	\$276,594
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	-	-	-	-	6,413	-	(1,753)	-	-	296	4,956
Balances at January 1, 2018, adjusted	35,710	1,058	58,121	(5,352)	200,913	(1,013)	(1,299)	(2,538)	(7,437)	3,387	281,550
Issued shares during the year	220	(220)	-	-	-	-	-	-	-	-	-
Issued shares from stock rights offer	6,718	-	89,213	-	-	-	-	-	-	-	95,931
Transaction costs on shares issuance	-	-	(661)	-	-	-	-	-	-	-	(661)
Cost of share-based payments	-	-	29	-	-	-	-	-	-	-	29
Collections on subscriptions	-	-	-	1,737	-	-	-	-	-	-	1,737
Forfeitures during the year	-	(23)	(189)	212	-	-	-	-	-	-	-
Increase in non-controlling interest due to acquisition of a subsidiary during the year	-	-	-	-	-	-	-	-	-	535	535
Effect of finalization of business combination	-	-	-	-	-	-	-	-	-	(51)	(51)
Cash dividends	-	-	-	-	(10,130)	-	-	-	-	-	(10,130)
	42,648	815	146,513	(3,403)	190,783	(1,013)	(1,299)	(2,538)	(7,437)	3,872	368,940
Net income	-	-	-	-	45,507	-	-	-	-	2,344	47,851
Other comprehensive income (loss)	-	-	-	-	-	-	203	(10,356)	1,201	(1,403)	(10,355)
Total comprehensive income (loss)	-	-	-	-	45,507	-	203	(10,356)	1,201	941	37,496
<b>Balances at December 31, 2018</b>	<b>\$42,648</b>	<b>\$815</b>	<b>\$146,513</b>	<b>(3,403)</b>	<b>\$236,290</b>	<b>(\$1,013)</b>	<b>\$(1,096)</b>	<b>(12,894)</b>	<b>(6,236)</b>	<b>\$4,813</b>	<b>\$406,436</b>

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Six months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$5,902	\$37,076
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	17,523	15,759
Interest expense	6,718	6,430
Reversal of contingent liability (Note 14)	(3,729)	-
Amortization of intangible assets (Note 10)	3,412	2,687
Depreciation of right-of-use assets (Note 3)	3,086	-
Mark-to-market gains on put options	(2,498)	(807)
Unrealized foreign exchange losses	783	5,648
Interest income	(462)	(481)
Gains on sale of property, plant and equipment	(46)	(65)
Cost of share-based payments	-	20
Net gain on disposal of a subsidiary	-	(19,062)
Operating income before working capital changes	30,689	47,205
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	6,293	(32,686)
Contract asset	(1,757)	(610)
Inventories	17,499	(32,770)
Other current assets	(5,118)	(5,871)
Increase (decrease) in:		
Accounts payable and accrued expenses	(13,015)	9,680
Contract liabilities	(597)	-
Retirement liabilities	(80)	424
Net cash provided by (used in) operations	33,914	(14,628)
Income tax paid	(3,036)	(4,410)
Interest paid	(6,080)	(4,851)
Interest received	462	481
Net cash provided by (used) in operating activities	25,260	(23,408)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of:		
Property, plant and equipment (Note 9)	(21,810)	(34,723)
Intangible assets	(246)	(258)
Advances from third party	(11,541)	-
Capitalized development costs, net of depreciation (Note 10)	(1,818)	(2,671)
Proceeds from sale of property, plant and equipment	246	4,221
Acquisition through business combination	-	(1,966)
Decrease (increase) in other noncurrent assets	(363)	132
Net cash used in investing activities	(35,532)	(35,265)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deposits for future subscriptions (Notes 15 and 18)	60,000	-
Payment of loans	(14,569)	(3,487)
Availment of loans	3,558	17,901
Dividends paid to equity holders of the Parent Company (Note 15)	(4,437)	(10,130)
Settlement of derivatives	143	(30)
Collections on subscriptions	45	1,566
Proceeds from stock rights offering (Note 15)	-	95,931
Decrease in other noncurrent liabilities	(330)	(71)
Net cash provided by financing activities	44,410	101,680
<b>NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS</b>	<b>(156)</b>	<b>(1,772)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,982</b>	<b>41,235</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>	<b>108,534</b>	<b>90,627</b>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30</b>	<b>\$142,516</b>	<b>\$131,862</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



# INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information and Basis of Financial Statement Preparation

Integrated Micro-Electronics, Inc. (IMI or the Parent Company), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the Group). The Parent Company is 52.03% owned by AC Industrial Technology Holdings, Inc. (AC Industrials), a wholly-owned subsidiary of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE).

AC is 47.04% owned by Mermac, Inc., and the rest by the public.

The registered office address of the Parent Company is North Science Avenue, Laguna Technopark- Special Economic Zone (LT-SEZ), Bo. Biñan, Biñan, Laguna.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010. It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014. On March 2, 2018, the Parent Company completed the stock rights offer and listing of 350,000,000 common shares to all eligible stockholders.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of printed circuit board assemblies (PCBA), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems. It also provides the following solutions: product design and development, test and systems development, automation, advanced manufacturing engineering, and power module assembly, among others. It serves diversified markets that include those in the automotive, industrial, medical, storage device, and consumer electronics industries, and non-electronic products (including among others, automobiles, motorcycles, solar panels) or parts, components or materials of non-electronic products.

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on August 1, 2019.

#### Group Information

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

Subsidiary	Percentage of Ownership		Country of Incorporation	Functional Currency
	2019	2018		
IMI International (Singapore) Pte. Ltd.	100.00%	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	100.00%	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	100.00%	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	100.00%	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE) <sup>a</sup>	-	-	China	USD
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ) <sup>a</sup>	100.00%	100.00%	China	USD
Speedy-Tech Electronics (HK) Limited (STHK)	100.00%	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaying) Co., Ltd. (STJX)	100.00%	100.00%	China	USD
Speedy-Tech (Philippines), Inc. (STPH) <sup>b</sup>	100.00%	100.00%	Philippines	USD

(Forward)

Subsidiary	Percentage of Ownership		Country of Incorporation	Functional Currency
	2019	2018		
Cooperatief IMI Europe U.A. <sup>c</sup>	100.00%	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD	100.00%	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	100.00%	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš (IMI Serbia)	100.00%	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	100.00%	100.00%	Czech Republic	EUR
IMI Display s.r.o. (IMI CZ) <sup>f</sup>	–	–	Czech Republic	EUR
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V.	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 AG (VIA) <sup>g</sup>	76.01%	76.01%	Germany	EUR
VIA Optronics GmbH	100.00%	100.00%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	100.00%	100.00%	China	RMB
VIA Optronics LLC (VIA LLC)	100.00%	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd <sup>g</sup>	100.00%	100.00%	Taiwan	
VTS-Touchsensor Co., Ltd. (VTS)	65.00%	65.00%	Japan	Japanese Yen (JPY)
Integrated Micro-Electronics UK Limited (IMI UK)	100.00%	100.00%	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	80.00%	80.00%	United Kingdom	GBP
STI Limited	100.00%	100.00%	United Kingdom	GBP
STI Philippines Inc. (STIPH)	100.00%	100.00%	Philippines	USD
STI Asia Ltd <sup>d</sup>	100.00%	100.00%	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd <sup>d</sup>	100.00%	100.00%	United Kingdom	GBP
ST Intercept Limited <sup>e</sup>	100.00%	100.00%	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) <sup>d</sup>	40.00%	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) <sup>d</sup>	64.00%	64.00%	Philippines	USD

<sup>a</sup> New entity incorporated in Shenzhen which now runs the manufacturing operations of Pingshan and Kuichong. The sale of SZSTE was completed on June 30, 2018.

<sup>b</sup> 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.

<sup>c</sup> Previously under Monarch Elite Ltd. In June 2017, Monarch agreed to sell its net assets and transfer its membership rights to IMI Singapore. Monarch was deregistered in 2018.

<sup>d</sup> In the process of liquidation

<sup>e</sup> Newly incorporated company intended for new business contracts of start-up companies

<sup>f</sup> Closed in December 2018 through formal legal merger

<sup>g</sup> New entities of VIA in 2019

## 2. Business Combination

### Acquisition of VTS-Touchsensor Co., Ltd. (VTS)

On April 9, 2018, VIA and Toppan Printing Co., Ltd. (Toppan) entered into a joint venture agreement to serve the market for copper-based metal mesh touch sensors. The agreement provides that Toppan transfer 65% of its shares in VTS to VIA in exchange for a specified amount of consideration. The acquisition of VTS was accounted for as a business combination. VTS is a newly formed spin-off company of Toppan.

The final fair values and provisional values of the identifiable assets and liabilities acquired as at the date of acquisition are shown below.

	Fair Values	Provisional Fair Values
<b>Assets</b>		
Receivables	<b>\$185</b>	\$185
Inventories	<b>1,338</b>	1,244
Property, plant and equipment	<b>7,253</b>	97
Intangible assets	<b>7,835</b>	5,258
	<b>16,611</b>	6,784
<b>Liabilities</b>		
Deferred tax liabilities	<b>3,321</b>	–
Other noncurrent liabilities	<b>5,254</b>	5,254
	<b>8,575</b>	5,254
<b>Net Assets</b>	<b>8,036</b>	1,530
Non-controlling interest (35%)	<b>(4,066)</b>	(536)
Goodwill (Gain from bargain purchase)	<b>(2,412)</b>	971
<b>Cost of acquisition</b>	<b>\$1,558</b>	\$1,965

The net assets recognized in December 31, 2018 financial statements were based on a provisional assessment of their fair value. The valuation had not been completed by the date the 2018 financial statements were approved for issue by the Board of Directors.

In March 2019, the finalization of purchase price allocation was completed. The fair value of the property, plant and equipment (PPE) and intangible asset increased by \$7.16 million and \$2.58 million, respectively (see Notes 9 and 10). The increase in fair value of PPE arose from the assessment and valuation mainly of technical equipment and machinery, buildings and improvements and other equipment, which was determined using current replacement cost method. The increase in intangible asset is due to the identification and valuation of customer relationship as a separate asset with fair value determined using the Multi Period Excess Earnings Method (MEEM). PPE was depreciated using various useful lives ranging from 3-10 years while the customer relationship is amortized over a period of 5 years.

As a result, deferred tax liability on the increase in fair value of the property, plant and equipment and intangible asset was recognized amounting to \$3.32 million. There was also corresponding recognition of net bargain purchase option amounting to \$1.68 million as an adjustment to the opening balance of retained earnings and reversal of provisional goodwill amounting to \$0.97 million.

The 2018 comparative information was restated to reflect the adjustments to the provisional amounts.

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### 3. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVPL) and financial assets through other comprehensive income (FVOCI). 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.

#### Statement of Compliance

The interim condensed consolidated financial statements as of and for the six months periods ended June 30, 2019 and 2018 have been prepared in accordance with the Philippine Accounting

Standard (PAS) 34 (Amended), *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2018, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2018.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of June 30, 2019 and December 31, 2018 and for each of the two years in the period ended June 30, 2019.

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.

In accounting for call and put options over non-controlling interests, management determines whether it has present access to the returns associated with the non-controlling interests. If the options give the Group access to the returns over the non-controlling interests, the Group consolidates the acquiree as if it acquired a 100% interest.

If the options do not give the Group present access to the returns over the non-controlling interests, the Group takes the view that the non-controlling interests should be accounted for in accordance with PFRS 10, Consolidated Financial Statements, and must be presented within equity separate from the equity of the Parent Company, until the option is exercised.

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.

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.

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 loses 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.

#### 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, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies for the first time PFRS 16, *Leases*, applying the modified retrospective approach which does not require restatement of previous financial statements. As required by PAS 34, the nature and effect of these changes are disclosed below.

#### PFRS 16, Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group applied PFRS 16 using the modified retrospective (alternative 2) transition approach with the date of initial application of January 1, 2019. Under this approach, the lease liability is also measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by lease basis:

- The Group did not reassess whether its contracts contains a lease at the date of initial application and applied PFRS 16 to contracts previously identified as leases.
- If applicable, applied a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
- Adjusted the right-of-use asset for any recognized onerous lease provisions, instead of performing an impairment review.
- Applied a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application
- Excluded initial direct costs from the measurement of the right-of-use asset
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. When performing its hindsight assessment, an entity should consider events and circumstances that occurred up to the effective date of the new leases standard (January 1, 2019).

For sales and leaseback transaction, the Group as seller-lessee accounts the leaseback in the same way as any other lease ongoing at the date of initial application, subject to the following:

- For sale and leaseback transactions previously classified as finance leases, any gain on the sale continues to be amortized over the lease term, in the same way as under PAS 17
- For sale and leaseback transactions previously classified as operating leases, any deferred losses or gains relating to off-market terms at the date of initial application are adjusted against the right-of-use asset.

The effect of adoption PFRS 16 at 1 January 2019 follows:

Consolidated Balance Sheets

	Increase/ (Decrease)
<b>Assets</b>	
Right-of-use assets	\$33,338
<b>Liabilities</b>	
Lease liabilities	33,338

The adoption did not have a material impact on the Group's operating, investing and financing cash flows.

The nature of the adjustments as at January 1, 2019 and the reasons for the significant changes in the consolidated balance sheet as at June 30, 2019 and the consolidated statement of income for the six months ended June 30, 2019 are described below:

The Group has various lease agreements in respect of parcels of land, factory/warehouse building, office premises, manufacturing equipment, staff houses/dormitories and vehicles. Prior to the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Accounts payable and accrued expenses, respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective (alternative 2) transition approach, the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application. Accordingly, the comparative information in the interim condensed consolidated financial statements were not restated.

#### Right-of-use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

After the commencement date, the Group measures the right-of-use asset applying a cost model. To apply a cost model, a lessee shall measure the right-of-use asset at cost: (a) less any accumulated depreciation and any accumulated impairment losses; and (b) adjusted for any remeasurement of the lease liability.

The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, if the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

#### Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid

under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e., a change in the scope of a lease, or the consideration for a lease that was not part of the original terms and conditions of the lease) that is not accounted for as a separate contract and when there are change in the following: a) lease term; b) option to purchase assessment; c) change in amounts for residual value; and d) change in future payments due to index/rate. Lease modifications would be accounted as separate lease when rights are added to the lease contract to use one or more underlying assets and the consideration increase is commensurate with the stand-alone price for the increase in scope.

#### Sale and Leaseback

The seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

When a sale occurs, both the seller-lessee and the buyer-lessor account for the leaseback in the same manner as any other lease with adjustments for any off-market terms. Specifically, a seller-lessee recognizes a lease liability and right-of-use asset for the leaseback (subject to the optional exemptions for short-term leases and leases of low-value assets).

#### Short-term Leases and Leases of Low-value Assets

The Group applies the STL recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group applies the low-value assets recognition exemption to leases of underlying assets with a value, when new, of US\$5,000 and below. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	Lease liabilities
As at January 1, 2019	\$33,338	\$33,338
Depreciation expense	(3,086)	–
Interest expense	–	613
Rental payments	–	(3,095)
Cumulative translation adjustment	2	54
As at June 30, 2019	<u>\$30,254</u>	<u>\$30,910</u>
Current	<u>\$30,254</u>	<u>\$5,991</u>
Noncurrent	<u>\$–</u>	<u>\$24,919</u>

The Group recognized rent expense from short-term leases and leases of low value assets amounting to \$1.97 million for the six months ended June 30, 2019.



Several other amendments and interpretations apply for the first time in 2019, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact to the Group.

- Amendments to PAS 19, *Employee Benefits*, Plan Amendment, Curtailment or Settlement

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

Adoption of these amendments did not have significant impact on the Group's interim condensed consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its interim condensed consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

#### *Annual Improvements to PFRS 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will apply on future disclosures of the Group.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

PFRS 17 is 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.

#### *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, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

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#### 4. Cash and Cash Equivalents

This account consists of:

	<b>Jun 30, 2019</b>	Dec 31, 2018
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Cash on hand	<b>\$78</b>	\$93
Cash in banks	<b>83,637</b>	94,997
Short-term investments	<b>58,801</b>	13,444
	<b>\$142,516</b>	\$108,534

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

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## 5. Receivables - net

This account consists of:

	<b>Jun 30, 2019</b>	Dec 31, 2018
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Trade	<b>\$291,336</b>	\$296,594
Nontrade	<b>10,726</b>	14,152
Receivable from insurance	<b>1,089</b>	1,057
Receivable from employees	<b>405</b>	586
Due from related parties	<b>1,110</b>	1,477
Others	<b>86</b>	52
	<b>304,752</b>	313,918
Less allowance for ECLs	<b>2,252</b>	2,014
	<b>\$302,500</b>	\$311,904

### Trade

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

### Nontrade

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

### Receivable from insurance

Claims to damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to \$1.09 million was fully provided with allowance for doubtful accounts.

### Receivable from employees

Receivable from employees pertain to loans granted to the Group's officers and employees which are collectible through salary deduction.

### Allowance for ECLs

Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of \$2.25 million and \$2.01 million as of June 30, 2019 and December 31, 2018, respectively, were individually assessed to be impaired and fully provided with allowance for ECL.

Provisions for ECL recognized for the six-month period ended June 30, 2019 and 2018 amounted to \$0.22 million and \$0.23 million, respectively. Provisions during the period form part of "Operating Expenses" account.

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## 6. Contract Balances

	<b>Jun 30, 2019</b>	Dec 31, 2018
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Contract assets	<b>\$65,241</b>	\$63,484
Contract liabilities	<b>1,234</b>	1,831

Contract assets are initially recognized for revenue earned from manufacturing of goods as receipt of consideration is conditional on successful completion of the services. When goods are shipped or goods are received by the customer, depending on the corresponding agreement with

the customers, the amounts recognized as contract assets are reclassified to trade receivables. Payments are received from customers depending on the credit terms.

For the periods ended June 30, 2019 and 2018, the Group did not recognize a provision for expected credit losses on contract assets.

Contract liabilities includes short-term advances received to render manufacturing services.

The Group applied the practical expedient in PFRS 15 on the disclosure of information about the transaction price allocated to remaining performance obligations given the customer contracts have original expected duration of one year or less.

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## 7. Inventories

Decrease in inventories mainly pertains to recoveries of backlogs.

Reversals for inventory obsolescence and allowance for decline in inventories, recognized for the six-month period ended June 30, 2019 and 2018 amounted to (\$0.15) million and (\$0.56) million, respectively.

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## 8. Other Current Assets

This account consists of:

	<b>Jun 30, 2019</b>	Dec 31, 2018
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Tax credits	<b>\$7,737</b>	\$7,455
Prepayments	<b>8,681</b>	5,033
Advances to suppliers	<b>5,828</b>	5,041
Input taxes	<b>1,979</b>	3,290
Others	<b>1,575</b>	5
	<b>\$25,800</b>	\$20,824

### Tax Credits

Tax credits include tax incentives to be applied to future taxable profits of IMI MX and IMI BG and amounts withheld from income tax payments of the Parent Company and PSi.

### Advances to suppliers

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

### Prepayments

Prepayments include prepayments for life and fire insurance, rent and product liability, and recall insurance, which cover product recall expenses and liability to third parties seeking damage in the event the Group recalls any of its products. This also includes prepaid IP rights and transaction costs.

### Input Taxes

This account includes input tax expected to be applied against output tax within 12 months from the balance sheet date. Input tax is recognized when an entity in the Group purchases goods or services from a supplier or vendor.

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**9. Property, Plant and Equipment - net**

	<b>Jun 30, 2019 (Unaudited)</b>	Dec 31, 2018 (As Restated – Note 2)
	(In thousands)	
Property, Plant and Equipment	<b>\$391,543</b>	\$338,290
Less: Accumulated Depreciation	<b>188,622</b>	139,730
Accumulated Impairment losses	<b>1,732</b>	1,732
<b>Property, Plant and Equipment (Net)</b>	<b>\$201,189</b>	\$196,828

Additions to property, plant and equipment for the six-month period ended June 30, 2019 amounted to \$21.81 million comprise mainly of purchases of machinery and equipment for new programs and capacity expansion.

Property, plant and equipment acquired through business combination in 2018 (VTS) amounted to \$7.16 million.

Depreciation expense amounted to \$17.52 million and \$15.76 million for the six-month period ended June 30, 2019 and 2018, respectively.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the six-month period ended June 30, 2019 and 2018 amounting to \$0.05 million and \$0.07 million, respectively.

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**10. Intangible Assets - net**

	<b>Jun 30, 2019 (Unaudited)</b>	Dec 31, 2018 (As Restated – Note 2)
	(In thousands)	
Intangible Assets	<b>\$68,786</b>	\$66,033
Less: Accumulated Amortization	<b>38,909</b>	35,687
Accumulated Impairment losses	<b>525</b>	525
<b>Intangible Assets (Net)</b>	<b>\$29,352</b>	\$29,821

Intangible assets consist of computer software, intellectual properties and product development costs with net book value of \$4.98 million, \$9.82 million and \$14.55 million, respectively, as of June 30, 2019.

Product development costs include capitalized costs arising from the development phase of certain projects which are still under qualification. Capitalized costs during the period amounted to \$2.59 million.

Intangible assets pertaining to customer relationships acquired through business combination in 2018 (VTS) amounted to \$2.58 million.

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The projects to which the development costs pertain to represent the CGU of the intangible assets. The recoverable amounts of these CGUs have been determined using cash flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects.

Amortization for all intangibles amounted to \$3.41 million and \$2.69 million for the six-month period ended June 30, 2019 and 2018, respectively.

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## 11. Accounts Payable and Accrued Expenses

This account consists of:

	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)
	(In thousands)	
Trade payables	\$192,991	\$208,572
Accrued compensation and benefits	26,315	24,084
Accrued expenses	22,481	24,446
Nontrade payables	25,091	14,814
Accrued interest payable	2,657	2,018
Customers' deposits	228	1,027
Taxes payable	850	908
Employee-related contributions	661	504
Advances from customers	1,183	1,099
Due to related parties (Note 18)	5	1,458
Advances from a third party	-	11,541
Others	267	704
	<b>\$272,729</b>	<b>\$291,175</b>

### Trade Payables

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

### Accrued Compensation and Benefits

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

### Nontrade Payables

This account consists of obligations related to outsourced manpower, logistics and freight forwarders, professional and service fees and other nontrade related payables. These payables are normally settled on 30 to 60-day terms. This also includes advances from directors of STI which are payable on demand.

### Accrued Expenses

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

### Advances from a Third Party

The amount pertains to the deposit received related to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the relocation of its manufacturing facility in Liantang, Luohu to Pingshan. The transaction was completed in 2018 and the balance was refunded to Jinnuo in the first quarter of 2019.

### 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%.

### 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.

### 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.

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## 12. Loans and Trust Receipts Payable

This account consists of borrowings of the following entities:

	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)
	(In thousands)	
Parent Company	\$42,000	\$63,000
STEL	34,611	42,612
VIA	32,854	30,291
STI	580	436
IMI CZ	867	—
	<b>\$110,912</b>	<b>\$136,339</b>

### Parent Company

As of June 30, 2019 and December 31, 2018, the Parent Company has unsecured short-term loans aggregating to \$42.00 million and \$63.00 million, respectively, with maturities ranging from 30 to 90 days, and annual interest rates ranging from 2.88% to 3.10% in 2019 and 2.50% to 3.12% in 2018.

### STEL

The loans of STEL are from existing revolving credit facilities with Singapore-based banks and bear annual interest rate ranging from 4.05% to 5.20% in 2019 and 4.02% to 5.32% in 2018.

### VIA

The loans of VIA consists of factoring loan from China-based banks denominated in USD and RMB aggregating \$19.02 million as of June 30, 2019 and \$16.48 million as of December 31, 2018 with terms ranging from 90 to 150 days and annual interest rate from 4.02% to 5.00% in 2019 and from 4.69% to 4.85% in 2018 and loan from a German-based bank amounting to €12.14 million (\$13.82 million) as of June 30, 2019 and €12.04 million (\$13.81 million) as of December 31, 2018 with term of 90 and bears interest rate of 1.95% per annum.

### STI

STI has unsecured short-term loans from UK-based bank of £0.46 million (\$0.58 million) as of June 30, 2019 and £0.19 million (\$0.24 million) as of December 31, 2018, with maturities ranging from 91 to 154 days and annual interest rates ranging from 2.75% to 4.38% in 2019 and 4.13% in 2018. It also has short-term loan from a local bank amounting to \$0.19 million as of December 31, 2018 with a term of 240 days and interest rates ranging from 3.9% to 4.7%.

### IMI CZ

The loans of IMI CZ are from existing revolving credit facilities with Czech-based bank which bear annual interest based on 1-month EURIBOR plus 1.20%.

### 13. Long-Term Debt

This account consists of borrowings of the following entities:

	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)
	(In thousands)	
Parent Company	\$195,000	\$180,000
VIA	4,333	4,465
IMI CZ	2,819	3,510
	<b>202,152</b>	187,975
Less current portion:		
Parent Company	59,165	61,165
VIA	967	973
IMI CZ	1,225	1,294
	<b>61,357</b>	63,432
Noncurrent portion	<b>\$140,795</b>	\$124,543

#### Parent Company

The long-term debts of the Parent Company aggregating to \$195.00 million and \$180.00 million as of June 30, 2019 and December 31, 2018, respectively, were obtained from Singapore-based and local banks with terms of three to five years, subject to fixed annual interest rates ranging from 2.97% to 4.44% in 2019 and 2.15% to 3.94% in 2018.

Loan covenants related to the Parent Company's loans are as follows:

- The ratio of the Group's net debt to EBITDA shall not exceed 3:1, with reference to the borrower's consolidated financial statements;
- Maintenance of the Group's debt service coverage ratio of at least 1.5:1;
- Maintenance at all times of the Group's current ratio of at least 1:1; and
- Maintenance of the Group's debt-to-equity ratio, computed with reference to the borrower's consolidated financial statements, of not greater than 1.75:1.

As of June 30, 2019 and December 31, 2018, the Parent Company has complied with all of the above-mentioned loan covenants.

#### VIA

VIA has a long-term debt from Germany-based bank amounting to nil as of June 30, 2019 and €0.05 million (\$0.05 million) as of December 31, 2018. The loan is unsecured and bears annual interest of 5.35% and was fully paid as of June 30, 2019.

VIA also has a long-term loan with a Japanese bank with a face amount of JPY500,000,000 (\$5.78 million) granted in 2018 and will mature in 2023. The loan is payable monthly and bears interest of 1.67%. Outstanding balance as of June 30, 2019 and December 31, 2018 amounted to \$4.33 and \$4.40 million, respectively.

#### IMI CZ

IMI CZ has unsecured term loan facility from Czech-based bank payable in 60 regular monthly installments and bears interest of 1-month EURIBOR plus spread ranging from 0.9% to 2.70% but is not to exceed 15% per annum. Outstanding balance as of June 30, 2019 and December 31, 2018 amounted to and €2.47million (\$2.82 million) and €3.06 million (\$3.51 million), respectively.

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#### 14. Other Financial Liabilities

The account consists of financial liabilities arising from the acquisition of VIA and STI as follows:

	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)
	(In thousands)	
Put options over non-controlling interests		
VIA	\$16,367	\$15,722
STI (Note 2)	7,115	10,357
Contingent consideration (Note 2)	-	3,726
Current	<u>\$23,482</u>	<u>\$29,805</u>

##### *Put options over non-controlling interests*

The put options of VIA pertain to the 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 within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options).

The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all non-controlling interests held upon the happening of certain trigger events as specified in the shareholders agreement.

Mark-to-market gains on put options for the six-month period ended June 30, 2019 and 2018 amounted to \$2.50 million gain and \$0.80 million, respectively.

##### *Contingent consideration*

The contingent consideration is part of the cost of acquisition of STI and is based on the actual normalized EBITDA performance less adjustments in 2018 and 2019. The remaining balance of the contingent consideration was reversed in full as of June 30, 2019.

Fair values of the contingent consideration amounted to nil and £2.94 million (\$3.73 million) as of June 30, 2019 and December 31, 2018.

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#### 15. Equity

##### *Capital Stock*

On January 30, 2018, IMI obtained the approval of the PSE for a stock rights offer of up to 350,000,000 new common shares to eligible shareholders. Under the rights offer, each shareholder is entitled to subscribe to one rights share for every 5.3551 existing common shares held as of record date February 14, 2018. The offer price was determined to be at ₱14.28 per rights share which was based on the 30-day volume-weighted average price of IMI common shares listed at the PSE as of February 7, 2018 at a discount of 25.3%. On March 2, 2018, the Parent Company completed the offer and the listing of the shares, raising ₱5.00 billion (\$95.93 million) of proceeds to fund capital expenditures and support business expansions and refinance debts. The Parent Company has 2,190,076,503 issued and outstanding shares after the offer.

##### *Dividends*

On April 8, 2019, the BOD of the Parent Company approved the declaration of cash dividend of \$0.00201 or ₱0.10542 per share to all outstanding common shares aggregating to \$4.44 million as of record date of April 25, 2019 paid on May 7, 2019.

On February 20, 2018, the BOD of the Parent Company approved the declaration of cash dividend of \$0.00458 or ₱0.235 per share to all outstanding common shares aggregating to \$10.13 million as of record date of March 7, 2018 paid on March 21, 2018.

### *Retained Earnings*

The final purchase price allocation on the acquisition of VTS in 2018 resulted to a gain from bargain purchase amounting to \$2.41 million and increase in the value of property, plant and equipment and intangibles which gave rise to additional depreciation and amortization, net of deferred tax impact and minority share, amounting to \$0.73 million. Retained earnings was adjusted for the effect of finalization with a net increase of \$1.68 million.

### *Deposit for Future Subscription*

IMI Singapore declared its intent to issue additional redeemable cumulative preferred stock (RCPS), which was planned to be subscribed by AC Industrials (Singapore) Pte, Ltd., an affiliate. The preferred shares have certain features, rights and privileges, which include redemption at the option of the issuer and cumulative, non-participating dividend rights at rates to be determined by the Board of Directors. There is no conversion option to the shareholders to convert the RCPS into ordinary shares of the Company and the shareholders have no voting rights unless the resolution in question varies the rights attached to the RCPS or is for the winding-up of the IMI Singapore.

IMI Singapore received the deposits for future subscription amounting to \$60.00 million as of March 31, 2019. Allotment and actual issuance of shares transpired in July 2019.

### Capital Management

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

No changes were made in the objectives, policies and processes during the period ended June 30, 2019 and December 31, 2018.

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.

	<b>Jun 30, 2019 (Unaudited)</b>	<b>Dec 31, 2018 (Audited)</b>
	(In thousands)	
Trust receipts and loans payable	<b>\$110,912</b>	\$136,339
Long-term bank borrowings	<b>202,152</b>	187,975
Total bank debt	<b>313,064</b>	324,314
Less cash and cash equivalents	<b>142,516</b>	108,534
Net bank debt	<b>\$170,548</b>	\$215,780
Total Equity	<b>468,879</b>	410,635
Debt-to-equity ratio	<b>0.67:1</b>	0.79:1
Net debt-to-equity ratio	<b>0.36:1</b>	0.53:1

The Group is not subject to externally imposed capital requirements.

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## 16. Earnings per Share

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

	<b>Jun 30, 2019</b>	Jun 30, 2018
	<b>(Unaudited)</b>	(Unaudited)
	(In thousands)	
Net income	<b>\$5,784</b>	<b>\$31,575</b>
Weighted average number of common shares outstanding	<b>2,209,242</b>	<b>2,094,268</b>
Basic and diluted	<b>\$0.003</b>	<b>\$0.015</b>

As of June 30, 2019 and 2018, the Parent Company has no dilutive potential common shares.

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## 17. Segment Information

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and net income before and after tax of its major manufacturing sites. Philippine operation is further subdivided into the Parent Company and PSi, IMI BG and IMI CZ are combined under Europe based on the industry segment and customers served, VIA and STI are combined under Germany/UK representing newly-acquired subsidiaries, IMI USA, IMI Japan and IMI Singapore/ROHQ are combined being the support facilities for strategic management, research and development, engineering development and sales and marketing.

Prior period information is consistent with the current year basis of segmentation.

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

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's parent or main business location for the three-month period ended June 30, 2019 and 2018:

June 30, 2019 (Unaudited)	Philippines						Singapore/ USA/Japan	Consolidation and Eliminations	Total
	Parent Company	PSi	China	Europe	Mexico	Germany/UK			
Revenue:									
Third party	\$121,259	\$10,371	\$121,676	\$167,238	\$85,128	\$129,704	\$322	\$-	\$635,698
Intersegment	4,378	-	8,347	1,819	650	-	2,840	(18,034)	-
<b>Total revenue</b>	<b>\$125,637</b>	<b>\$10,371</b>	<b>\$130,023</b>	<b>\$169,057</b>	<b>\$85,778</b>	<b>\$129,704</b>	<b>\$3,162</b>	<b>(\$18,034)</b>	<b>\$635,698</b>
Segment interest income	\$1,726	\$2	\$501	\$154	\$-	\$-	\$1,781	(\$3,702)	\$462
Segment interest expense and bank charges	(\$3,959)	(\$515)	(\$1,510)	(\$564)	(\$1,635)	(\$1,804)	(\$108)	\$2,993	(\$7,102)
Segment profit (loss) before income tax	\$4,396	(\$1,329)	(\$3,104)	\$10,788	(\$5,116)	(\$2,617)	(\$2,555)	\$5,439	\$5,902
Segment provision for income tax	(985)	18	31	(1,186)	(280)	789	364	68	(1,181)
<b>Segment profit (loss) after income tax</b>	<b>\$3,411</b>	<b>(\$1,311)</b>	<b>(\$3,073)</b>	<b>\$9,602</b>	<b>(\$5,396)</b>	<b>(\$1,828)</b>	<b>(\$2,191)</b>	<b>\$5,507</b>	<b>\$4,721</b>
Net income (loss) attributable to the equity holders of the Parent Company	\$3,411	(\$1,311)	(\$3,073)	\$9,602	(\$5,396)	(\$910)	(\$2,191)	\$5,652	\$5,784

June 30, 2018 (Unaudited)	Philippines						Singapore/ USA/Japan	Consolidation and Eliminations	Total
	Parent Company	PSi	China	Europe	Mexico	Germany/UK			
Revenue:									
Third party	\$117,487	\$17,459	\$162,122	\$169,888	\$46,834	\$154,239	\$759	\$-	\$668,788
Intersegment	1,089	-	24	307	25	-	3,342	(4,787)	-
<b>Total revenue</b>	<b>\$118,576</b>	<b>\$17,459</b>	<b>\$162,146</b>	<b>\$170,195</b>	<b>\$46,859</b>	<b>\$154,239</b>	<b>\$4,101</b>	<b>(\$2,177)</b>	<b>\$668,788</b>
Segment interest income	\$1,426	\$1	\$471	\$-	\$-	\$2	\$1,119	(\$2,538)	\$481
Segment interest expense and bank charges	(\$4,029)	(\$350)	(\$706)	(\$220)	(\$1,006)	(\$2,511)	(\$4)	\$2,396	(\$6,430)
Segment profit (loss) before income tax	\$3,975	35	\$19,335	\$18,113	(\$4,413)	\$5,973	\$2,298	(\$8,240)	\$37,076
Segment provision for income tax	(1,205)	(12)	726	(1,902)	(140)	(2,258)	(192)	145	(4,838)
<b>Segment profit (loss) after income tax</b>	<b>\$2,770</b>	<b>\$23</b>	<b>\$20,061</b>	<b>\$16,211</b>	<b>(\$4,553)</b>	<b>\$3,715</b>	<b>\$2,106</b>	<b>(\$8,094)</b>	<b>\$32,238</b>
Net income (loss) attributable to the equity holders of the Parent Company	\$2,770	\$23	\$20,061	\$16,211	(\$4,553)	\$2,906	\$2,106	(\$7,949)	\$31,575

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

For the six-month period ended June 30, 2019, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to \$16.13 million and intersegment cost of sales and operating expenses amounting to \$13.54 million and \$2.69 million, respectively.

For the six-month period ended June 30, 2018, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to \$3.81 million and intersegment cost of sales and operating expenses amounting to \$0.93 million and \$0.21 million, respectively.

The following table presents segment assets of the Group's geographical segments as of June 30, 2019 and December 31, 2018:

	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan/ Singapore	Consoli- dation and Eliminations	Total
	Parent Company	PSi							
June 30, 2019 (Unaudited)	\$550,627	\$14,168	\$249,267	\$294,527	\$122,802	\$232,027	\$370,878	(\$706,859)	\$1,127,437
December 31, 2018 (As restated)	\$541,529	\$15,422	\$275,016	\$283,496	\$116,241	\$216,647	\$308,156	(\$679,310)	\$1,077,197

Segment assets do not include investments in subsidiaries and intersegment receivables amounting to \$195.39 million and \$173.36 million as of June 30, 2019, respectively, and \$195.39 million and \$311.29 million as of December 31, 2018, respectively. These are eliminated in consolidation.

Goodwill acquired through business combinations recognized at consolidated level had been allocated to the following CGUs:

	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (As restated)
	(In thousands)	
STI	\$56,545	\$54,964
VIA	45,333	45,643
STEL	38,225	38,225
Parent Company	1,098	1,098
IMI CZ	517	521
	<b>\$141,718</b>	<b>\$140,451</b>

The Group reversed the previously recognized provisional goodwill on the acquisition of VTS amounting to \$0.97 million and recognized gain on bargain purchase amounting \$2.41 million as a restatement in the 2018 retained earnings (see Note 2).

#### **Revenue from Contracts with Customers**

Revenues from contracts with customers are further disaggregated by type, customer's nationality, product type and timing of revenue recognition, as management believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table presents revenue by type:

	Jun 30, 2019 (Unaudited)	Jun 30, 2018 (Unaudited)
	(In thousands)	
Manufacturing of goods	\$633,930	\$666,604
Tooling and service income	1,768	2,184
Revenue from contracts with customers	<b>\$635,698</b>	<b>\$668,788</b>

The following table presents revenue from contracts with customer per timing of revenue recognition for each reportable segments:

	June 30, 2019 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
	(In thousands)		
Philippines			
Parent Company	<b>\$121,258</b>	\$-	<b>\$121,258</b>
PSi	<b>10,371</b>	-	<b>10,371</b>
China	<b>121,676</b>	-	<b>121,676</b>
Europe	<b>166,080</b>	<b>1,158</b>	<b>167,238</b>
Mexico	<b>84,819</b>	<b>309</b>	<b>85,128</b>
Germany	-	<b>81,270</b>	<b>81,270</b>
UK	<b>48,433</b>	-	<b>48,433</b>
USA/Japan/Singapore	-	<b>324</b>	<b>324</b>
Revenue from contracts with customers	<b>\$552,637</b>	<b>\$83,061</b>	<b>\$635,698</b>

	June 30, 2018 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
	(In thousands)		
Philippines			
Parent Company	\$117,487	\$-	\$117,487
PSi	17,459	-	17,459
China	162,122	-	162,122
Europe	168,324	1,564	169,888
Mexico	46,648	186	46,834
Germany	-	100,340	100,340
UK	53,900	-	53,900
USA/Japan/Singapore	-	758	758
Revenue from contracts with customers	\$565,940	\$102,848	\$668,788

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

	Jun 30, 2019 (Unaudited)	Jun 30, 2018 (Unaudited)
	(In thousands)	
Europe	<b>\$310,492</b>	\$328,426
America	<b>120,786</b>	138,294
Japan	<b>20,570</b>	23,198
Asia/Others	<b>183,850</b>	178,870
	<b>\$635,698</b>	\$668,788

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 11% and 12% of the Group's total revenue for the three-month period ended March 31, 2019 and 2018, respectively.



The following table presents revenues per product type:

	<b>Jun 30, 2019</b>	Jun 30, 2018
	<b>(Unaudited)</b>	(Unaudited)
	(In thousands)	
Automotive	<b>\$305,332</b>	\$267,104
Consumer	<b>67,301</b>	152,294
Industrial	<b>146,542</b>	106,792
Telecom	<b>49,261</b>	65,131
Aerospace	<b>25,880</b>	25,282
Medical	<b>7,095</b>	6,726
Multiple markets / Others	<b>34,287</b>	45,459
	<b>\$635,698</b>	\$668,788

## 18. Related Party Transactions

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

The Group, in its regular conduct of business, has entered into transactions with subsidiaries, affiliate, and other related parties principally consisting of advances, loans and reimbursement of expenses. These related party transactions, which include sales and purchases of goods and services as well as other income and expenses, were conducted fairly and on an arms' length basis.

### Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six-month period ended June 30, 2019 and 2018, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

a. Transactions with BPI, an affiliate

As of June 30, 2019 and December 31, 2018, the Group maintains current and savings accounts with BPI amounting to \$1.12 million and \$1.70 million, respectively.

Total interest income earned from investments with BPI amounted to \$0.003K and \$25.2K for the six-month period ended June 30, 2019 and 2018, respectively.

b. Issuance of redeemable cumulative preferred shares by IMI Singapore to AC Industrials (Singapore) (see Note 15)

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

	Receivables/Deposits		Payables	
	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)
	(In thousands)			
KTM Asia Motor Manufacturing Inc. (KAMMI)	\$344	\$982	\$-	\$-
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	766	282	-	-
ACEHI	-	147	-	-
Isuzu Automotive Dealership, Inc. (IADI)	-	122	-	-
Honda Cars Makati, Inc. (HCMI)	-	73	-	-
Automotive Central Enterprise, Inc. (ACEI)	-	17	-	-
Globe Telecom, Inc. (GTI)	-	-	4	6
Innovate Communication Inc. (ICI)	-	-	1	-
AC	-	-	-	1,439
AG Legal	-	-	-	13
	<b>\$1,110</b>	<b>\$1,623</b>	<b>\$5</b>	<b>\$1,458</b>

- i. Transaction with KAMMI and MSTPI pertains to trade related receivables.
  - ii. 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. The contract with ACEHI ended in January 2019 and the deposit was refunded in April 2019.
  - iii. Transaction with HCMI, ACEI, and IADI pertains to management fee on corporate and support services.
  - iv. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.
  - v. Payables to ICI are nontrade in nature and pertain to leased lines, internet connections and automated teller machines connections. These are noninterest-bearing and are due every month.
  - vi. Payable to AC pertains to management fee on corporate services.
  - vii. Payable to AG Legal pertains to professional fees rendered for the company's legal consultation.
- c. Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income		Expenses	
	Jun 30, 2019 (Unaudited)	Jun 30, 2018 (Unaudited)	Jun 30, 2019 (Unaudited)	Jun 30, 2018 (Unaudited)
	(In thousands)			
KAMMI	\$762	\$1,864	\$-	\$-
MSTPI	332	479	-	-
BPI	4	25	-	-
ACEHI	-	-	464	2,194
Technopark Land, Inc (TLI)	-	-	542	249
Laguna AAWater Corp. (LAWC)	-	-	286	245
GTI	-	-	68	19
Innovate Communication, Inc. (ICI)	-	-	67	17
AC	-	-	34	14
Ayala Group Legal (AG Legal)	-	-	1	38
	<b>\$1,098</b>	<b>\$2,368</b>	<b>\$1,462</b>	<b>\$1,462</b>

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

- i. Revenues from KAMMI and MSTPI pertain to subcontracting services related to registered activities.
- ii. 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 ACEHI to the Parent Company. The contract with ACEHI ended in January 2019.
  - ii. Rental expense from the lease contract between the Parent Company and TLI.
  - iii. Billings for cellphone charges and WiFi connections with GTI.
  - iv. Building rental, leased lines, internet connections and ATM connections with ICI.
  - v. Administrative services charged by AC related to certain transactions.
  - vi. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
- d. 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, IMI CZ ad STI from loans granted by the Parent Company.

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## 19. Fair Values of Financial Instruments

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

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

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of June 30, 2019 and December 31, 2018:

	Carrying Amounts		Fair Values	
	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)	Jun 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)
<b>Financial assets:</b>				
Financial assets at FVOCI	\$1,148	\$1,076	\$1,148	\$1,076
<b>Financial liabilities:</b>				
Noncurrent portion of:				
Long-term debt	\$140,795	\$124,543	\$110,585	\$109,615

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:

Financial assets at FVOCI pertain to investments in club shares. Fair value is based on quoted prices.

Derivatives - These pertain 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.

Financial liabilities on put options - These pertain to the liabilities of Cooperatief and IMI UK 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 is -0.56% for VIA and 2.58% for STI. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put options will occur.

The current equity value of VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization.

Contingent consideration - This pertains to the contingent consideration related to the acquisition of STI determined by discounting the probability weighted payout as estimated by management. The payout is estimated using the projected revenue growth rate of STI. The discount rate 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 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 2019 and 2018 ranged from 1.67% to 6.98% and from 1.91% to 6.98%, respectively.

#### Fair Value Hierarchy

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

<b>June 30, 2019</b>				
<b>Fair Value Measurement Using</b>				
	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b>Assets measured at fair value:</b>				
Financial assets at FVOCI	\$-	\$1,148	\$-	\$1,148
<b>Liabilities measured at fair value:</b>				
Financial liabilities on put options	-	-	23,482	23,482
Contingent consideration	-	-	-	-
	<b>\$-</b>	<b>\$-</b>	<b>\$23,482</b>	<b>\$23,482</b>

**Liabilities for which fair values are disclosed:**

Long-term debt	\$-	\$-	\$110,585	\$110,795
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December 31, 2018

**Fair Value Measurement Using**

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets measured at fair value:</b>				
Financial assets at FVOCI	\$-	\$1,076	\$-	\$1,076
<b>Liabilities measured at fair value:</b>				
Financial liabilities on put options	\$-	\$-	\$26,079	\$26,079
Contingent consideration	-	-	3,726	3,726
	\$-	\$-	\$29,805	\$29,805

**Liabilities for which fair values are disclosed:**

Long-term debt	\$-	\$-	\$109,615	\$109,615
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The table below shows reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

**2019**

	Dec 31, 2018	Mark-to-market gains/ Reversals	Currency Translation Adjustment	Jun 30, 2019
Financial liabilities on put options	\$26,079	(\$2,498)	(\$99)	\$23,482
Contingent consideration	3,726	(3,729)	\$3	\$-
	\$29,805	(\$6,227)	(\$96)	\$23,482

**2018**

	Dec 31, 2017	Mark-to-market gain	Currency Translation Adjustment	Jun 30, 2018
Financial liabilities on put options	\$21,912	(\$807)	\$-	\$21,105
Contingent consideration	24,975	-	-	24,975
	\$46,887	\$807	\$-	\$46,080

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	0%-2% (1%)	1% increase in growth rate would result in an decrease in fair value by \$0.02 million. Decrease in growth rate by 1% would result in a fair value increase of \$0.92 million.
		Discount rate	8%-10% (9%)	1% increase in discount rate would result in a decrease in fair value by \$1.23 million. Decrease in discount rate by 1% would result in a fair value increase of \$1.87 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$1.21 million. Decrease in the probability to 1% would result in a decrease in fair value by \$0.66 million.
Contingent consideration	Discounted, probability-weighted payout	Growth rate	19%-21% (20%)	1% increase in discount rate would result in a decrease in fair value by \$1.87 million. Decrease in discount rate by 1% would result in a fair value increase of \$0.01 million.
		Probability of pay-out	£0 to £2.9 million (\$0 to \$3.7 million)	GBP0 to GBP2.9 million (\$0 to \$3.7 million)

## 20. Financial Risk Management Objectives and Policies

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

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

The Group's risk management policies are summarized below:

### Interest Rate Risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended Jun 30, 2019 and 2018. There is no other impact on the Group's equity other than those already affecting income.

Increase/Decrease in Basis Points	Effect on Net Income before Tax	
	Jun 30, 2019 (Unaudited)	Jun 30, 2018 (Unaudited)
+100	(\$18)	(\$29)
-100	18	29

The following table shows the information about the Group's debt as of June 30, 2019 and 2018 that are exposed to interest rate risk presented by maturity profile:

	<b>Jun 30, 2019 (Unaudited)</b>	Jun 30, 2018 (Unaudited)
Within one year	<b>\$2,092</b>	\$2,909
One to five years	<b>1,594</b>	2,885
	<b>\$3,686</b>	\$5,794

#### 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 June 30, 2019 and December 31, 2018 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 20% and 26% of trade receivables relating to three major customers as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019 and December 31, 2018, the aging analysis of trade receivables follows:

	Total	Neither past due nor impaired	Past due but not impaired				Specifically impaired	
			<30 days	30-60 days	60-90 days	90-120 days		>120 days
<b>June 30, 2019</b>								
(Unaudited)	\$291,336	\$224,245	\$27,986	\$15,329	\$4,752	\$3,782	\$14,209	\$1,033
<b>December 31, 2018</b>								
(Audited)	\$296,594	\$242,619	\$36,375	\$5,294	\$4,686	\$1,924	\$4,899	\$797

#### Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the functional currency of each legal entity against other currencies. As a result of significant transactions denominated in RMB, PHP and EUR the consolidated statements of income can be affected significantly by

movements in the USD versus these currencies. In 2019 and 2018, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

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: (In Thousands)

*Philippine Peso (₱)*

	Jun 30, 2018 (Unaudited)		Dec 31, 2018 (Audited)	
	In USD	In PHP	In USD	In PHP
Cash and cash equivalents	\$1,013	₱51,906	\$7,126	₱374,655
Receivables	1,275	65,307	1,299	68,297
Miscellaneous deposits	659	33,770	783	41,189
Accounts payable and accrued expenses	(17,119)	(877,165)	(15,663)	(823,514)
Net retirement liabilities	(2,820)	(144,515)	(3,115)	(163,758)
Net foreign currency-denominated liabilities	<b>(\$16,992)</b>	<b>(₱870,697)</b>	<b>(\$9,570)</b>	<b>(₱503,131)</b>

*Euro (€)*

	Jun 30, 2019 (Unaudited)		Dec 31, 2018 (Audited)	
	In USD	In EUR	In USD	In EUR
Cash and cash equivalents	\$825	€725	\$1,251	€1,092
Receivables	7,178	6,304	6,976	6,085
Accounts payable and accrued expenses	(11,630)	(10,214)	(13,007)	(11,346)
Net foreign currency-denominated assets	<b>(\$3,627)</b>	<b>(€3,185)</b>	<b>(\$4,780)</b>	<b>(€4,169)</b>

*Renminbi (RMB)*

	Jun 30, 2019 (Unaudited)		Dec 31, 2018 (Audited)	
	In USD	In RMB	In USD	In RMB
Cash and cash equivalents	\$12,142	RMB83,475	\$14,349	RMB98,483
Receivables	63,404	435,884	77,391	531,170
Accounts payable and accrued expenses	(41,655)	(286,371)	(52,672)	(361,511)
Net foreign currency-denominated assets	<b>\$33,891</b>	<b>RMB232,988</b>	<b>\$39,068</b>	<b>RMB268,142</b>

Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2019 and December 31, 2018. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

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

Currency	Increase/Decrease in USD Rate	Effect on Net Income before Tax	
		Jun 30, 2019 (Unaudited)	Jun 30, 2018 (Audited)
PHP	+1%	\$171	\$60
	-1%	(171)	(60)
EUR	+1%	22	33
	-1%	(22)	(33)
RMB	+1%	(527)	(537)
	-1%	527	537



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## 21. Notes to Consolidated Statement of Cash Flows

The following table shows the reconciliation of liabilities arising from financing activities:

	Cash Flows			Non-cash changes				Jun 30, 2019 <b>(Unaudited)</b>
	Dec 31, 2018 (Audited)	Availment	Repayment	Reclass	Declaration	Acquisition through business combination	Foreign currency translation	
Loans and trust receipts payable	\$136,339	\$3,558	(\$14,000)	(\$15,000)	\$-	\$-	\$15	<b>\$110,912</b>
Current portion of long-term debt	63,432	-	(569)	(1,431)	-	-	(75)	<b>61,357</b>
Long-term debt	124,543	-	-	16,431	-	-	(179)	<b>140,795</b>
	<b>\$324,314</b>	<b>\$2,666</b>	<b>(\$569)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>(\$650)</b>	<b>\$325,761</b>

## 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 three months ended 30 June	
	2019	2018
	<i>(in US\$ thousands, except Basic EPS)</i>	
Revenues from Sales and Services	<b>\$635,698</b>	\$668,788
Cost of Goods Sold and Services	<b>578,738</b>	596,924
Gross Profit	<b>56,960</b>	71,864
Net Income Attributable to Equity Holders of the Parent Company	<b>5,784</b>	31,575
EBITDA <sup>i</sup>	<b>24,593</b>	31,306
Basic Earnings per Share (EPS)	<b>\$0.0003</b>	\$0.015

#### Revenues from Sales and Services

The Company closed the first six months of 2019 with consolidated revenues of US\$636 million, a 5% decline vs last year. Sales were impacted by the slowdown of the global economy, a downturn in the automotive market, and geo-political issues in our key markets in China and the UK.

IMI's core businesses ended the first half with revenues at US\$506M, US\$9M lower against the same period in 2018. This segment was adversely affected by the slowdown of the Chinese automotive market as the region reduced its electronic vehicle incentive program. A significant portion of the Company's revenues through its Bulgaria and Czech Republic operating sites were also held back by the depreciation of the Euro against the US Dollar.

Via Optronics and STI, Ltd. posted revenues of US\$130M, a 16% decline compared to the first half 2018's US\$154M. The demand for Via's optical bonding services suffered a temporary slowdown as the release of new computer products were stalled by delays in the rollout of next generation computer chips. Brexit uncertainty continues to push back the STI, Ltd. business as the region evaluates the effects on tariff structures between the UK and the rest of Europe.

#### Gross Profit and Gross Profit Margin

Profitability remains challenged by a lower volume demand on new programs where the Company has invested additional fixed overhead, the persistent component shortages which drove higher material prices, and the delays of new generation chipsets affecting Via Optronics revenues. IMI was able to maintain its first quarter gross margins of 9.0% posting a gross profit of US\$57.0M for the first half of 2019, down 21% from the same period in 2018.

<sup>i</sup> EBITDA = EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments and foreign exchange gains/losses. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

## Net Income Attributable to Parent

The Company reported net income of \$5.78 million, an 82% decline from last year. Operating income dropped \$9.9 million or 65% versus last year driven by lower sales and new high-tech products that are still challenged on actual production yields. Apart from lower margins, FX losses of \$1.7 million were incurred.

## EBITDA

EBITDA lower by US\$6.7 million or 21% due to lower operating income before depreciation and amortization.

## Financial Condition

IMI's balance sheet remains strong with current ratio of 1.49:1 and gross debt-to-equity ratio of 0.67:1.

For the first half of 2019, the Company spent \$22M of capital expenditures related to new programs and capacity expansions.

## Key Performance Indicators of the Company

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

Performance indicators	As of end	
	Mar 31, 2019	Dec 31, 2018
Liquidity:		
Current ratio <sup>a</sup>	1.49x	1.33x
Solvency:		
Debt-to-equity ratio <sup>b</sup>	0.67x	0.79x
	For the six months ended 30 Jun	
	2019	2018
Operating efficiency:		
Revenue growth <sup>c</sup>	-5%	34%
Profitability:		
Gross profit margin <sup>d</sup>	9.0%	10.7%
Net income margin <sup>e</sup>	0.9%	4.7%
Return on equity <sup>f</sup>	1.4%	9.5%
Return on assets <sup>h</sup>	0.5%	4.5%
<sup>ii</sup> EBITDA margin	3.9%	4.7%

<sup>ii</sup> 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.

<sup>a</sup> Current assets/current liabilities

<sup>b</sup> Bank debts/Equity attributable to equity holders of the Parent Company

<sup>c</sup> (Current year less previous year revenue)/Previous year revenue

<sup>d</sup> Gross profit/Revenues

<sup>e</sup> Net income attributable to equity holders of the Parent Company/Revenues

<sup>f</sup> Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent

<sup>g</sup> Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent

<sup>h</sup> Net income attributable to equity holders of the Parent Company/Total Assets

In the above:

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

#### **Causes for any material changes**

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

#### **Income Statement Items**

(Six months ended 30 June 2019 versus 30 June 2018)

##### 9% decrease in Operating expenses (-\$56.6M to -\$51.6M)

2018 still includes SZ sale-related expenses amounting to \$8.4 million. Excluding one-off SZ expense, GAE increased \$3.4 million mainly from VIA higher people cost, tech-related costs and rental, and VTS full 6 months integration (vs. last year's 3 months) plus additional amortization related to purchase price allocation.

##### 10% increase in Interest and bank charges (\$6.4M to \$7.1M)

Due to higher interest rates. Total loans (ST and LT) are of the same level at \$313M but current year's mix has higher long term loans.

##### 71% decrease in Miscellaneous income (\$30.2M to \$8.9M)

Last year's income includes gross gain from SZ sale amounting to \$27.5M. Current year includes reversal of STI contingent liability (\$3.7 million) and mark-to-market gains on put options (\$2.5 million).

##### 76% decrease in Provision for Tax (\$4.8M to \$1.2M)

Lower taxable income.

## **Balance Sheet items**

(30 June 2019 versus 31 December 2018)

### 31% increase in Cash and cash equivalents (\$108.5M to \$142.5M)

Cash provided by operating activities +\$25M mainly driven decrease in inventory levels and collections of receivables; cash used in investing -\$35.5M from increased capital expenditure (-22M) to support line expansion and new programs and refund of deposit to buyer of Shenzhen property (11.5M); cash provided by financing \$44.4M mainly due to proceeds from deposits for preferred shares subscription (\$60.0M), net of repayments of some bank loans and dividends.

### 10% decrease in Inventories (\$192.7M to \$173.8M)

Decrease in inventories mainly from recoveries of backlogs.

### 24% increase in Other current assets (\$20.8M to \$25.8M)

Mainly increase in prepayments.

### 100% increase in Right-of-use assets (nil to \$30.3M)

Recognition of ROU asset upon adoption of PFRS 16

### 13% decrease in Accounts payable and accrued expenses (\$291.2M to \$272.7M)

Mainly from payment of outstanding trade payables and refund of deposit to buyer of Shenzhen property

### 19% decrease in Loans and trust receipts payable (\$136.3M to \$110.9M)

Net repayment of \$10 million and refinancing to long-term (\$15M)

### 21% decrease in Other financial liabilities (\$29.8M to \$23.8M)

Reversal of STI contingent liability (\$3.7M) and mark-to-market gains arising from reduction of put options (\$2.5M)

### 8% increase in Current and noncurrent portion of long-term debt (\$188.0M to \$202.2M)

Increase due to refinancing of short-term to long-term loans.

### 100% increase in Lease liabilities (nil to \$30.9M)

Recognition of liabilities on operating leases upon adoption of PFRS 16

### 16% increase in Negative cumulative translation adjustments (-\$13.2M to -\$15.3M)

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 depreciation of EUR against USD from 1.15 to 1.1386.

### 100% increase in Deposit for future subscription (nil to \$60.0M)

Related to deposit on future preferred stock subscription issued by IMI Singapore to AC Industrials Singapore.

**EXHIBIT 1**  
**FINANCIAL RATIOS**  
**For the Period Ended June 30, 2019 and 2018 and December 31, 2018**

<b>Ratios</b>	<b>Formula</b>	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>	<b>Dec 31, 2018</b>
(i) Current ratio	Current assets / Current Liabilities	<b>1.49</b>	1.49	1.33
(ii) Quick ratio	Current assets less inventories and other current assets/Current liabilities	<b>1.07</b>	1.03	0.92
(iii) Debt/Equity ratio	Bank debts / Total Equity	<b>0.67</b>	0.78	0.79
(iv) Asset to Equity ratio	Total Assets / Total Equity	<b>2.40</b>	2.67	
(v) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	<b>1.77</b>	6.69	
(vi) Profitability ratios				
GP margin	Gross Profit / Revenues	<b>9.0%</b>	10.7%	
Net profit margin	Net Income after Tax / Revenues	<b>0.9%</b>	4.7%	
EBITDA margin	EBITDA / Revenues	<b>3.9%</b>	4.7%	
Return on assets	Net Income after Tax / Total Asset	<b>0.5%</b>	3.0%	
Return on equity	Net Income after Tax / Average equity attributable to parent	<b>1.4%</b>	9.4%	

	<b>(in US\$'000)</b>		
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>	<b>Dec 31, 2018</b>
Current Assets	709,859	694,405	697,409
Current Liabilities	477,926	466,527	526,113
Total Assets	1,127,437	1,057,607	1,077,197
Bank Debts	313,064	309,011	324,314
Total Equity	468,879	395,839	410,635
Average equity Attributable to parent	402,696	334,734	
Revenues	635,698	668,788	
Gross Profit	56,960	71,865	
Net income attributable to equity holders of the parent	5,784	31,575	
Earnings before interest and taxes	12,541	43,025	
Interest expense	7,102	6,430	
EBITDA	24,593	31,306	

## PART II--OTHER INFORMATION

1. At the Regular Annual Stockholders' meeting held on April 8, 2019 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  
Sherisa P. Nuesa (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

### **Corporate Governance and Nomination Committee**

Sherisa P. Nuesa - Chairman  
Hiroshi Nishimura - Member  
Edgar O. Chua - Member

### **Compensation Committee**

Sherisa P. Nuesa - Chairman  
Delfin L. Lazaro - Member  
Jose Ignacio A. Carlos - 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

Arthur R. Tan

Gilles Bernard

Jerome S. Tan

Linardo Z. Lopez

Jaime G. Sanchez

Solomon M. Hermosura

Joanne M. Lim

- Chairman of the Board
- Chief Executive Officer
- President and Chief Operating Officer
- Global Chief Finance Officer/ICT and Treasurer
- Senior Managing Director, Global Head of Materials Management
- VP and Compliance Officer
- Corporate Secretary
- Assistant Corporate Secretary



## SIGNATURES

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

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

By:

A handwritten signature in black ink, appearing to read 'JAIME G. SANCHEZ', with a large loop at the end.

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

Date: August 13, 2019

A handwritten signature in black ink, appearing to read 'JEROME S. TAN', with a stylized 'J' and 'T'.

JEROME S. TAN  
Chief Finance Officer

Date: August 13, 2019