INTEGRATED MICRO-ELECTRONICS, INC.

REGISTRATION OF 1,268,497,252 COMMON SHARES
AND LISTING BY WAY OF INTRODUCTION ON THE FIRST BOARD
OF THE PHILIPPINE STOCK EXCHANGE
OF 1,137,708,197 COMMON SHARES (INCLUSIVE OF 15,892,365
TREASURY SHARES DULY APPROVED BY THE SECURITIES AND
EXCHANGE COMMISSION AS EXEMPT TRANSACTION)
AND ESOWN OF 146,681,420 COMMON SHARES

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CORRECT

October 23, 2009

Integrated Micro-Electronics, Inc.
33/F Tower One, Ayala Triangle
Makati City
Telephone No. 7566840

This Prospectus relates to the registration under the provisions of the Philippine Securities Regulation Code and Listing by Way of Introduction in the First Board of the Philippine Stock Exchange ("PSE") of One Billion Two Hundred Sixty Eight Million Four Hundred Ninety Seven Thousand Two Hundred Fifty Two (1,268,497,252) Common Shares (the "Subject Shares") of the capital stock of Integrated Micro-Electronics, Inc. (the "Company" or "IMI").

IMI presently has an authorized capital stock of ₱3,000,000,000.00 divided into 1,500,000,000 Common Shares and 1,500,000,000 Preferred Shares, both with par values of ₱1.00 per share. As of the date of this Prospectus, 1,229,794,252 Common Shares and 1,300,000,000 Preferred Shares are issued and outstanding where 150,000,000 Common Shares (or 10% of 1.5 Billion Common Shares) are allotted to, and to be fully availed by, the Company's directors and employees under an Employee Stock Ownership Plan. The 15,892,365 Common Shares are Treasury shares. The Company shares may be owned by any person or entity regardless of citizenship or nationality subject to the limits prescribed by Philippine laws on foreign ownership for certain types of domestic companies.

There being no initial public offering to be conducted as the Common Shares will be listed by way of introduction, no offer price has been set and no underwriters have been engaged in connection with the aforementioned registration and share listing. Nonetheless, the reference indicative opening price of IMI's shares to be listed shall be at ₱6.24 per share. This is based on September 30, 2009 book value per IMI share of US$0.131 at a USD/Php exchange rate of ₱47.63 based on the BSP reference rate. Moreover, there will be no change in the outstanding shares of the Company following said registration and listing.

A Board of Investments (BOI)-registered company and not being a closely held corporation, IMI is required under Article 7(11), Chapter 2 of the Preliminary Title of the Omnibus Investment Code and Section 1, Rule VIII of the Implementing Rules and Regulations of the Omnibus Investment Code to make a public offering of its shares; and pursuant to Section 1(e) of Part H of Article III of the Revised Listing Rules on the Philippine Stock Exchange, the Board of Investments cleared IMI to list its securities via Listing By Way of Introduction with the Philippine Stock Exchange on October 21, 2009.

The Company's Board of Directors is authorized to declare cash, stock or property dividends or a combination thereof. A cash and property dividends declaration require the approval of the Board and no shareholder approval is necessary. A stock dividend declaration requires the approval of the Board and shareholders representing at least two-thirds of the Company's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

The Company accepts full responsibility for the information contained in this Prospectus and confirms that this Prospectus contains all information with regard to the Company and Subject Shares, which as of the date of this Prospectus are material, true and correct and not misleading; and there are no other facts, the omission of which makes this Prospectus, as a whole or in part, misleading in any material respect. The delivery of this Prospectus shall not, under any circumstances, create any implication that the information contained herein is correct as of anytime subsequent to the date hereof.

Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Company makes no representation as to the accuracy of such information.

This Prospectus includes forward-looking statements that involve risk and uncertainties. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. These risks and uncertainties associated with forward-looking statements may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

This Prospectus does not constitute an offer to sell or a solicitation by or on behalf of the Company to subscribe for or purchase any of its Common Shares. Neither may this Prospectus be used as an offer to, or solicitation by, anyone in any jurisdiction or in any circumstance in which such offer or solicitation is not authorized or lawful.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons who come into possession of this Prospectus are required by the Company to inform themselves about, and to observe any, such restrictions. Any inquiries regarding this Prospectus should be forwarded to the Company.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CORRECT.

For: **Arthur R. Tan**
President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this OCT 23 2009, affiant exhibiting to me his Passport No. XX0603319 issued in the Republic of the Philippines on 23 February 2008.

Doc. No. 138;
Page No. 29;
Book No. LXII;
Series of 2009.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy

RENAN R. OSERO
NOTARY PUBLIC
ROLL NO. 34567
MAKATI CITY, PHILIPPINES

RENAN R. OSERO
Notary Public - Makati City
Appt. No. M-480 until 12-31-2010
Attorney's Roll No. 34567
PTR No. 1567289MB; 01-06-2009; Makati City
IBP Lifetime Roll No. 06251
33F Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

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INFORMATION REGARDING FORWARD-LOOKING SATEMENTS

This Prospectus contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are contained principally in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” These statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the Company’s expectations regarding its future operating results;
- the Company’s anticipated cash needs and its estimates regarding its capital requirements and its needs for additional financing;
- anticipated trends and challenges in the Company’s business and the markets in which it operates;
- the Company’s ability to attract and retain employees;
- the Company’s ability to expand into new industries, markets and delivery geographies;
- the Company’s ability to attract new clients; and,
- the Company’s ability to retain current clients.

In some cases, the investor can identify forward-looking statements by terms such as “may,” “might,” “objective,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “estimate,” “predict,” “potential,” “plan,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect the Company’s current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, the investor should not place undue reliance on these forward-looking statements. The Company discusses many of these risks in this prospectus in greater detail under the heading “Risk Factors.” Also, these forward-looking statements represent its estimates and assumptions only as of the date of this prospectus. Unless required under Philippine laws, it does not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made.

The investor should read this Prospectus and the documents the Company had referenced in this Prospectus and had filed as exhibits to the registration statement, of which this Prospectus is a part, completely and with the understanding that its actual future results may be materially different from what it expects. It qualifies all of its forward-looking statements by these cautionary statements.

GLOSSARY OF TERMS

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

0201 and larger substrate	Common passive components included in 0201 resistors, measuring 0.02" x 0.01" or larger which IMI USA is involved in.
AOI	Articles of Incorporation
Anisotropic Bonding System and Method Using Dynamic Feedback	Improved anisotropic bonding system and method which connects two conductive surfaces together using an anisotropic material having elastic conductive particles dispersed in an insulating heat-curable carrier, which was patented by the Company at the Tustin, California facility.
BIR	Bureau of Internal Revenue
Board	The Board of Directors of IMI ("the Company")
BOI	Board of Investments
BSP	Bangko Sentral ng Pilipinas
CDM	Custom Design Manufacturing
Ceramic	The subsidiary, IMI USA, is involved with ceramic substrates. Ceramic is used for multichip module for its structure base layer, while silicon is the most widely used chips, and fibreglass is mostly used for printed circuit boards.
COB	Chip on Board refers to the electronics assembly technology wherein the microchip or die is directly mounted on and electrically interconnected to its final circuit board, instead of undergoing traditional assembly or packaging as an individual IC. The elimination of conventional device packaging from COB assemblies simplifies the over-all process of designing and manufacturing the final product, as well as improves its performance as a result of the shorter interconnection paths.
Code	Omnibus Investment Code
COF	Chip on Flex incorporates to a flex circuit/connector that is heat sealed to the edge
Consignment Business or Consignment Production	Refers to an arrangement between IMI and its customers where customers provide materials and equipment and the Company focuses on assembly operations.
CSP	Chip Scale Package or Chip Size Package is a chip housing that is slightly larger than the chip itself.
Direct Die Attach	Is an assembly technology which consists of the application of a die attach adhesive to the board or

	substrate and mounting the chip or die over the die attach material.
DST	Documentary Stamp Tax
EBITDA	Earnings before interest, taxes, depreciation and amortization
EMS	Electronics Manufacturing Service
EPZA	Export Processing Zone Authority created under Presidential Decree No. 66 which evolved into the Philippine Economic Zone Authority (PEZA) under Republic Act 7916, commonly known as the PEZA Act
ERP	The enterprise resource planning (ERP) software used by the Company, the mySAP™, is an integrated software manufactured by SAP AG that targets business software requirements of midsize and large organizations in all industries and sectors. An ERP system typically has modular hardware and software units and "services" that allows adding or reconfiguring modules while preserving data integrity in one shared database that may be centralized or distributed. It also allows for open communication within and between all company functions.
FIA	Foreign Investments Act
FINL	Foreign Investments Negative List
Flex Circuits	Flex Circuits or flexible electronics, is a technology for assembling electronic circuits by mounting electronic devices on flexible plastic substrates, such as polyimide. Additionally, flex circuits can be screen printed silver circuits on polyester. Flexible electronic assemblies may be manufactured using identical components used for rigid printed circuit boards, allowing the board to conform to a desired shape, or to flex during its use.
Flexible Experts	Positioning of IMI in the industry, owning an expertise that is flexible and adaptable to customer needs and business conditions. Flexible expertise involves constant upgrading of processes, equipment and manpower skills, which results in building and growing the customers' businesses.
Flip Chip	A method for interconnecting electronic component devices, such as IC chips to external circuitry with solder bumps that have been deposited onto the chip pads. In order to mount the chip to external circuitry (e.g., a circuit board or another chip), it is flipped over so that its top side faces down, and aligned so that its pads align with matching pads on the external circuit, and then the solder is flowed to complete the interconnect.
GIS	General Information Sheet
High Component Density	This generally means a number of integrated circuit devices along with supporting passive devices all on one substrate. For the Company, this term is used to

	accommodate designs for direct die attach – Chip-On-Board or flip chip for reducing the size (in square inches) of substrate.
High volume mix	Maximized production output, with short turnaround times
IDC	International Data Corporation is a global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets
IMI or the Corporation or the Company	Integrated Micro-Electronics, Inc.
Integrate flex for complete substrate interconnect solution	The use of a flexible circuit substrate can provide not only the component mounting substrate, but is also used to achieve the means of interconnecting several separate substrates or other devices in one complete circuit sub-system. Instead of using two (2) or more different PCB's and wiring to connect the boards together along with switches, batteries, displays etc., they can all be mounted on one flexible circuit, which interconnects all the elements. The flex can be folded to achieve a fit into a small mechanical package (example: hearing aid). This level of integration minimizes labor steps and provides the complete function that can be easily tested all at one time.
IT	Information Technology
Listing by Introduction	The listing of shares of stock by way of introduction in accordance with the PSE Rules on Listing by Way of Introduction as approved by the SEC on August 21, 2008
Listing and Disclosure Rules	The rules governing the listing of securities on the PSE and the disclosures of listed issuers
Low volume mix	Low production output requirement, generally with high changeover/multiple model changes
Manual	The Company's Manual on Corporate Governance
Manufacturing Method for Attaching Components to a Substrate	A method patented by the Tustin, California facility for manufacturing a chip assembly that includes the steps of applying a controlled amount of flux to plurality of solder balls on a die, applying a non-fluxing underfill material to a substrate, and assembling the die and substrate together to form the chip assembly such that the non-fluxing underfill material is trapped between the die and the substrate.
MicroBGA	The MicroBGA (micro Ball Grid Array) architecture uses very fine pitch between the solder balls that enable the packaging to be barely larger than the chip itself and its unique design uses elastomer (polymer with the property of elasticity) layers to withstand changes in temperature between the printed circuit board and the chip (CTE).

ODM	Original Design Manufacturer
OEM	Original Equipment Manufacturer
Passive Circuitry for Harmonic Current Regulation	A passive component circuit comprising a bridge rectifier and coupled in parallel to three capacitors in a power supply through energy efficient input current shaping.
PCB	Printed Circuit Board is used to mechanically support and electrically connect electronic components using conductive pathways, or traces, etched from copper sheets laminated onto a non-conductive substrate. It is also referred to as printed wiring board (PWB) or etched wiring board. PCBs are rugged, inexpensive, and can be highly reliable. They require much more layout effort and higher initial cost than either wire-wrapped or point-to-point constructed circuits, but are much cheaper and faster for high-volume production.
PCBA	Printed Circuit Board Assembly is a PCB populated with electronic components.
PCD	Philippine Central Depository
PCD Nominee	PCD Nominee Corporation, a company wholly owned by the PDTC
PCT	Patent Cooperation Treaty
PDTC	The Philippine Depository and Trust Corporation, the central securities depositary of, among others, securities listed and traded on the PSE
PEZA	Philippine Economic Zone Authority
Pesos or "₱"	Philippine Currency
PSE or the Exchange	The Philippine Stock Exchange, Inc.
PSE Brokers	Trading Participants of the PSE
Rules on Listing by Way of Introduction or Rules	Rules governing listing by way of introduction approved by the SEC on August 21, 2008
SEC	Securities and Exchange Commission
Self-coupled Driver Used in Dual-Switch Forward Power Converter	A dual-switch forward power converter, and a method of operating the same, that employs a self-coupled driver to achieve among other advantages higher efficiency, lower part count and component cost. A power converter comprises a transformer and two switching transistors. Said transformer has two serially-connected primary windings with the first winding connected to a first switching transistor which is biased by a pulse controller, and the second winding coupling the voltage across said first winding to bias the second switching transistor. In addition, the circuit on the primary side of said transformer further

	comprises means of dissipating magnetization current and the circuit on the secondary side.
Shares	Common shares of the capital stock of IMI with par value of P 1.00 per share
Small SMD and fine pitch	Small Surface Mount Device (SMD) is an electronic device designed for mounting onto lands on the surface of a substrate rather than by insertion into holes in the substrate. Fine pitch surface mount components are more commonly used to refer to components with a lead pitch of 25 mils or less. These packages usually require vision assistance for accurate placement.
SMT	Surface Mount Technology
SMT Lines	Production lines constructing electronic circuits where components are mounted directly onto the surface of printed circuit boards (PCBs). In the electronics industry it has largely replaced the through-hole technology construction method of fitting components with wire leads into holes in the circuit board.
SRC	Securities Regulation Code
Substrate	In PCBA electronics, the electrically insulating portion of a PCB structure. In wafer and thin films, the material upon which electronics devices are fabricated (i.e. glass).
Total Quality Management (TQM)	TQM as defined by the International Organization for Standardization (ISO), is a management approach for an organization, centered on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction, and benefits to all members of the organization and to society.
TQFP	Thin Quad Flat Pack is a type of surface mounted device package. Components of this type provide the same benefit of the metric quad flat pack, but are thinner (body thickness of 1.0mm) and have a standard lead-frame footprint (2.0mm lead footprint).
Traceless Flip Chip	A method for forming a fine-pitch flip chip assembly interconnects fine pitch devices after they have been connected to a carrier substrate
Transaction	Listing by Way of Introduction under Section 1(e), Part H, Article III of The Revised Listing Rules of the PSE of IMI common shares with par value of ₱1.00 per share.
Turnkey business or Turnkey production	Where the EMS company provide materials sourcing and management, and overhead support, aside from manufacturing processes and equipment.
TSOIP	Thin Standard Outline Integrated Package. It is a surface mountable semiconductor package that many integrated circuits are being offered in.
US	United States

USPTO	United States Patent and Trademark Office
Vertically-Integrated	When a company owns and controls several steps in the production or distribution of a product or service.
Very Precise Component Placement	This usually applies to sensors or imagers that require the aligned placement to very tight tolerances. Typically this is in the range of 20-40 micron accuracy to added mechanical elements such as lenses and will often be measured in the X and Y axis as well as tilt and rotation. The Company has engineered automatable and repeatable processes feasible for high volume and low cost output, without the need for secondary manual alignment or calibration processes.

SUMMARY

This summary highlights information contained elsewhere in this Prospectus. This summary is qualified in its entirety by more detailed information and financial statements, including notes thereto, appearing elsewhere in this Prospectus. For a discussion of certain matters that need to be considered in evaluating an investment in the common shares, see "Risk Factors." The readers are advised to read this entire Prospectus carefully, including the financial statements and related notes contained herein.

The Company

Established in 1980, IMI has progressed into a company offering core manufacturing capabilities as well as higher value competencies in design, engineering, prototyping, and supply chain management. IMI is a vertically integrated electronics manufacturing services (EMS) provider to leading global original equipment manufacturers (OEMs) in the computing, communications, consumer, automotive, industrial, and medical electronics markets.

IMI is a stock corporation organized under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission on 08 August 1980. IMI proved that a Filipino-owned company can go global, transforming its local operations into a global network. IMI has three (3) wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. ("IMI Singapore"), IMI USA, Inc. ("IMI USA") and IMI Japan, Inc. ("IMI Japan").

IMI Singapore was incorporated and domiciled in Singapore having a wholly-owned subsidiary incorporated and domiciled also in Singapore, Speedy-Tech Electronics Ltd. (STEL). STEL on its own has subsidiaries located in Hong Kong, China, Singapore and Philippines. IMI Singapore is engaged in the procurement of raw materials, supplies and provision of customer services while STEL and its subsidiaries are principally engaged in the provision of Electronics Manufacturing Services and Power Electronics solutions to OEM customers in the consumer electronics, computer peripherals/IT, industrial equipment, telecommunications and medical device sectors.

IMI USA acts as direct support to IMI's customers by providing Program Management, Customer Service, Engineering Development and prototype manufacturing services to both North American and European customers, especially for processes using direct die attach to various electronics substrates. It specializes in prototyping low to medium PCBA and sub-assembly and is at the forefront of technology with regard to precision assembly capabilities including, but not limited to, Surface Mount Technology (SMT), Chip on Flex (COF), Chip on Board (COB) and Flip Chip on Flex. IMI USA is also engaged in engineering, design for manufacturing (DFM) technology, advanced manufacturing process development, new product introduction (NPI), direct chip attach and small precision assemblies.

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

Upon its incorporation in 1980, IMI registered its operations with the Board of Investment (BOI). As such, IMI is qualified for fiscal and non-fiscal incentives provided by Executive Order 226 as amended.

In 1994, IMI relocated its manufacturing operations in the Laguna Technopark Special Economic Zone in Biñan, Laguna. Upon its transfer, IMI sought registration with Export Processing Zone Authority (EPZA now known as PEZA). On September 12, 1994, through Board Resolution No. 94-177, EPZA approved IMI's application for registration. At that time, IMI's registered activity was to manufacture thin film head and gimbal assembly for hard disk drive. Through the years, IMI increased its operations at the Laguna Technopark facilities and has registered more projects and activities with PEZA, all related to production and manufacture of any and all types of electronic products, and in providing services related thereto.

These registrations, entitle IMI to certain incentives, which include but are not limited to a four-year income tax holiday (ITH) and an option to apply for ITH extension for a maximum of three (3) years subject to various PEZA requirements wherein projects and activities are qualified and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH on these projects and activities, the Company will be subject to a five percent (5%) final tax on gross income earned after certain allowable deductions provided under Republic Act (R.A.) No. 7916 (otherwise known as the "Special Economic Zone Act of 1995") in lieu of payment of national and local taxes.

Tax Rates/Incentives Applicable To/Enjoyed By Integrated Micro-Electronics, Inc. and Subsidiaries

Country/Location	Rate	Tax Base/Description
IMI / Laguna, Philippines (as Parent)	0%-5%	Tax incentive; based on gross income
IMI-USA / Tustin, California	0%-40%	Corporate income tax based on net income
IMI-Japan / Tokyo, Japan	26%-36%	Income tax based on net income
IMI International (Singapore) Pte. Ltd. / Singapore	17%	Based on chargeable income/net income. Chargeable income refers to income to be taxed at the prevailing corporate tax rate.
Speedy-Tech Electronics Ltd. / Singapore	17%	
Speedy-Tech Technologies Pte. Ltd. / Singapore	17%	

Country/Location	Rate	Tax Base/Description
Speedy-Tech Electronics (HK) Limited / Hongkong	16.5%	Based on net income
Speedy-Tech (Philippines), Inc. / Cavite, Philippines	0%-5%	Tax incentive; based on gross income
Shenzhen Speedy-tech Electronics Co., Ltd. / Shenzhen, China	20%	Based on the assessable income
Speedy-Tech Electronics (Jiaxing) Co., Ltd. / Jiaxing, China	25%	Based on the assessable income
Speedy-Tech Electronics (Chong Qing) Co., Ltd. / Chong Qing, China	0%	Tax incentive

Note: The tax rates/incentives shown on the above table are in effect as of the date of this Prospectus.

IMI has an intellectual property portfolio accumulated through its various design and engineering activities. Its Tustin, California facility which is its main competency center for Advanced Manufacturing Technology is responsible for the following US patents[1]: (1) Traceless Flip Chip assembly and method[2], (2) Anisotropic Bonding System and Method Using Dynamic Feedback[3] and (3) Manufacturing Method for Attaching Components to a Substrate[4]. Activities in Singapore, its competency center for Power Electronics, resulted in the issuance of a patent for Passive Circuitry for Harmonic Current Regulation in a Power Supply by Energy Efficient Input Current Shaping[5]. Filipino IMI Engineers have a provisional patent filing with the US Patent and Trademark Office for a System for Measuring Both Camera Distortion and Modulation Transfer Function Using a Single Test Chart. Out of Singapore, a new PCT application for the Self-coupled Driver Used in Dual-Switch Forward Power Converter was filed with the Intellectual Property Office of Singapore last February 2007.

Fundamental to IMI's performance excellence is the integration of a Total Quality Management system in its business processes. IMI has various international standard certifications for its Philippine sites – ISO 9001 Quality Management Systems; ISO 14001 Environmental Management Systems; OHSAS 18001 Occupational Health and Safety Assessment Series; ISO/TS 16949 Quality Management Systems for Automotive

[1] From the USPTO database

[2] Traceless Flip Chip - a method for forming a fine-pitch flip chip assembly interconnects fine pitch devices after they have been connected to a carrier substrate

[3] Anisotropic Bonding System and Method Using Dynamic Feedback - improved the anisotropic bonding system and method connects two conductive surfaces together using an anisotropic material having elastic conductive particles dispersed in an insulating heat-curable carrier

[4] Manufacturing Method for Attaching Components to a Substrate - a method for manufacturing a chip assembly includes the steps of applying a controlled amount of flux to plurality of solder balls on a die, applying a non-fluxing underfill material to a substrate, and assembling the die and substrate together to form the chip assembly such that the non-fluxing underfill material is trapped between the die and the substrate

[5] Passive Circuitry for Harmonic Current Regulation in a Power Supply by Energy Efficient Input Current Shaping - a passive component circuit comprising a bridge rectifier and is coupled in parallel to three capacitors

production; ISO 13485 Quality Management Systems for medical devices; and a newly acquired accreditation for the General Competence of its Calibration Laboratory, ISO 17025:2005 version.

Recent Developments

The Company shall strive to continuously innovate by focusing on its key strengths, namely, flexibility and quality consciousness. The Company will focus on and take advantage of the opportunities in the EMS industry which include: sizeable untapped market for EMS; new applications in automotive, industrial, medical, and renewable energy fields; Japanese OEMs' increased outsourcing; significant growth in electronics in emerging economies; and electronics still being a key element of the economy of the future.

Competitive Strengths

With more than 25 years of experience in the industry, IMI is today a widely recognized expert in providing comprehensive manufacturing services and higher value solutions to its customers. The Company's expertise is flexible and adaptable to the needs and conditions of its customers. This flexible expertise propelled IMI onto the current list of the top 50 EMS providers in the world[6] and earned for IMI several accolades from its customers.

IMI's positioning of "Flexible Experts" is grounded on three signature values:

- *Customer Focus*. Companies that consider IMI for their EMS solutions have the assurance that the Company strives to understand every aspect of their business including products, systems, and human resources. IMI takes customer concerns seriously and provides immediate response to these concerns. The Company's solutions are customized to meet the specific expectations of customers.

- *Flexible Thinking*. The Company explores all possibilities to develop the right solutions for its customers. It is prepared to challenge its own systems and processes. Competing in an industry that is constantly evolving, the Company ensures that its solutions are flexible to meet the demands of its customers.

- *Expert Knowledge*. The Company's confidence in its solutions is based on an established foundation of expert knowledge. The Company continually upgrades its processes, equipment, and skills to ensure that they are the best in the industry. When customers come face-to-face with its people, these customers know they are consulting field experts who will provide sound recommendations and results.

[6] Manufacturing Market Insider, March 2009 edition

IMI has established its position in the EMS industry and it will continue to parlay its flexible expertise into more productive enterprises.

Growth Strategy

The strategies that will best serve IMI's vision of being a leading global electronics solutions provider by 2020 are as follows:

- Target market leaders in high-growth, high-margin product niches with high technological complexity, customization needs and quality requirements

- Pursue conversion of consignment business to turnkey

- Enhance design and engineering and supply chain management capabilities to better serve target markets

- Pursue strategic business development activities including mergers and acquisitions, technology development and vertical integration

Risk of Investing

The risks of investing in the Company's shares are as follows:

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

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

- IMI may not be able to mitigate the effects of price declines over the life cycles of its products or as a result of changes in its mix of new and mature products, mix of turnkey and consignment business arrangements, and lower competitors' prices.

- IMI is highly dependent on a relatively small group of key OEM customers for its revenues.

- IMI generally does not obtain firm volume purchase commitments from its customers.

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

- IMI may encounter difficulties with acquisitions it may make in the future.

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

- IMI may be subject to reputation and financial risks due to product quality and liability issues, respectively; and may be involved in intellectual property disputes.

- Possible failure to comply with environmental regulations could harm IMI's business.

- IMI operates in a highly competitive industry.

- IMI's industry is dependent on the continuous growth of outsourcing by the original equipment manufacturers.

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

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

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

- IMI's international operations expose it to various business, economic, political, regulatory, and legal risks.

- IMI faces risks related to foreign currency exchange rates.

- IMI may suffer business interruptions resulting from "Acts of God" and global events.

Risks relating to the potential future sale of Common Shares

- The Common Shares have not been publicly traded and the relative volatility and illiquidity of the Philippine securities market may substantially limit investors' ability to sell the Common Shares at a suitable price or at a time they desire once they are actively traded in the market.

Risks relating to Statements in this Prospectus.

- Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the Company's businesses operate have not been independently verified and may not be accurate, complete, up-to date or consistent with other information compiled within or outside the Philippines.

Please refer to the section entitled Risk Factors on page 18 of this Prospectus, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with any investment in the

Subject Shares.

Summary Financial Information

Unless otherwise stated, all financial information relating to the Corporation contained herein is stated in conformity with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS).

In this Prospectus, references to years "2006", "2007" and "2008" refer to fiscal years ended 31 December of each year. SyCip Gorres Velayo & Co. ("SGV& Co."), a member firm of Ernst & Young Global Limited, has audited and rendered an unqualified audit report on the Corporation's consolidated financial statements for the years ended 31 December 2008, 2007 and 2006.

SGV & Co. reviewed the unaudited interim consolidated balance sheet of the Corporation as of June 30, 2009 and related unaudited interim consolidated statements of income, changes in equity and cash flows, and explanatory notes for the six-months periods ended 30 June 2009 and 2008. Based on the review conducted, nothing came to their attention that caused them to believe that the accompanying unaudited interim condensed consolidated financial statements of the Corporation are not prepared, in all material respects, in accordance with Philippine Financial Reporting Standard 34 (PAS 34), Interim Financial Reporting.

Unless otherwise indicated, the description of the Corporation's business activities in this Prospectus is presented on a consolidated basis. For further information on our corporate structure, see "Business Operations".

In this prospectus, references to "EBITDA" are to net operating income after adding depreciation and amortization, cost of share-based payments and references to "EBITDA Margin" are to EBITDA divided by revenues from sales and services. 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.

The following table and the tables on pages 16 and 17 present summary financial information for the Corporation and should be read in conjunction with the auditors' reports and with the Corporation's financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation". The summary financial information presented below as of and for the years ended 31 December 2008, 2007 and 2006 was derived from the financial statements of IMI, prepared in accordance with PFRS. The summary financial information as of 30 June 2009 and for the six-month periods ended 30 June 2009 and 2008 was derived from the unaudited financial statements of IMI, prepared in accordance with PFRS. The information presented on the succeeding pages is not necessarily indicative of the results of future operations.

	For the years ended 31 December			For the six months ended 30 June	
	2008	**2007**	**2006**	**2009**	**2008**
				(Unaudited)	
	(in US$ thousands, unless otherwise specified)				
Revenues from sales and services	$441,145	$422,107	$395,002	$169,370	$230,133
Cost of goods sold and services	370,368	330,786	308,860	151,561	189,854
Gross Profit	70,777	91,321	86,142	17,809	40,279
Operating Expenses	(54,099)	(53,257)	(43,465)	(17,379)	(23,219)
Income From Operations	16,677	38,064	42,677	430	17,060
Net Finance and Other Income (Expense)	(31,027)	398	(5,096)	6,946	(32,897)
Net Income (Loss) Before Income Tax	(14,350)	38,462	37,581	7,376	(15,837)
Provision for Income Tax	2,432	2,702	2,862	1,358	1,270
NET INCOME (LOSS)	**($16,782)**	**$35,760**	**$34,719**	**$6,018**	**($17,107)**
Attributable to:					
Equity holders of the Parent Company	($16,830)	$35,693	$34,675	$5,986	($17,141)
Minority interest	48	67	44	32	34
Net income (loss)	($16,782)	$35,760	$34,719	$6,018	($17,107)
EBITDA	$46,977	$61,975	$62,587	$11,253	$28,698

	As of 31 December			As of 30 June	
	2008	2007	2006	2009	2008
				(Unaudited)	
	(in US$ thousands, unless otherwise specified)				
ASSETS					
Current Assets					
Cash and cash equivalents	$57,605	$28,289	$28,349	$65,874	$36,977
Derivative assets	-	2,042	244	-	6
Loans and receivables	74,927	81,851	73,806	74,354	86,559
Inventories	35,485	43,666	32,293	26,485	48,271
Other current assets	3,413	2,142	2,579	2,867	2,772
Total Current Assets	171,430	157,990	137,271	169,580	174,585
Noncurrent Assets					
Noncurrent receivables	2,922	5,231	-	2,160	4,695
Property, plant and equipment	75,907	83,594	87,598	67,160	81,084
Investment properties	-	-	235	-	-
Goodwill	46,226	46,226	46,226	46,226	46,226
Intangible assets	5,133	7,748	10,183	3,786	6,465
Net pension asset	2,453	3,321	4,004	2,506	2,648
Available-for-sale financial assets	265	360	-	266	353
Deferred income tax assets	27	53	-	108	-
Other noncurrent assets	2,595	1,237	1,033	2,227	2,164
Total Noncurrent Assets	135,528	147,770	149,279	124,439	144,203
	$306,958	$305,760	$286,550	$294,019	$318,220
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued expenses	$69,788	$74,508	$62,653	$64,599	$93,856
Derivative liabilities	-	-	-	-	119
Provisions	6,013	1,692	1,354	138	1,621
Loans payable	17,110	9,008	9,540	15,336	32,547
Current portion of long-term debt	8,000	8,000	8,150	8,000	12,000
Total Current Liabilities	100,911	93,208	81,697	88,073	140,143
Noncurrent Liabilities					
Long-term debt	46,000	54,000	72,000	42,000	46,000
Deferred income tax liabilities	-	-	430	-	34
Total Noncurrent Liabilities	46,000	54,000	72,430	42,000	46,034
Total Liabilities	146,911	147,208	154,127	130,073	186,177
Equity attributable to equity holders of the Parent Company					
Capital stock - common	20,253	20,224	20,204	20,260	20,228
Capital stock - preferred	26,601	-	-	26,601	-
Subscribed capital stock	2,182	2,178	1,217	2,176	2,174
Additional paid-in capital	30,214	27,789	18,154	30,146	28,946
Subscriptions receivable	(10,439)	(11,101)	(1,276)	(9,942)	(10,879)
Retained earnings:					
Appropriated for expansion	60,661	60,661	60,661	60,661	60,661
Unappropriated	31,092	59,219	33,963	34,524	31,342
Treasury stock	(1,013)	(970)	(965)	(1,013)	(994)
Reserve for fluctuation on available-for-sale financial assets	24	116	3	29	95

	As of 31 December			As of 30 June	
	2008	**2007**	**2006**	**2009**	**2008**
Other reserves	56	36	-	65	36
	159,631	158,152	131,961	163,507	131,609
Minority interests in a consolidated subsidiary	416	400	462	439	434
Total Equity	160,047	158,552	132,423	163,946	132,043
	$306,958	$305,760	$286,550	$294,019	$318,220

	As of end				
	31 Dec 2008	**31 Dec 2007**	**31 Dec 2006**	**30 June 2009**	**30 June 2008**
Performance indicators					
Current ratio[7]	1.70x	1.70x	1.68x	1.93x	1.25x
Debt-to-equity ratio[8]	0.45x	0.45x	0.68x	0.40x	0.69x

	For the years ended 31 December			For the six months ended 30 June[9]	
	2008	**2007**	**2006**	**2009**	**2008**
EBITDA margin[10]	11%	15%	16%	7%	12%
Return on assets[11]	(5%)	12%	13%	2%	(5%)
Return on equity[12]	(11%)	25%	29%	4%	(12%)

(To next page)

[7] Current assets / current liabilities
[8] Total interest bearing debt / stockholders' equity
[9] For the six months ended 30 June EBITDA / revenues from sales and services. Return on assets and equity are computed as Net income for the six months ended 30 June 2009 / the 30 June 2009 and 31 December 2008 average of total assets and stockholders' equity, respectively.
[10] EBITDA / revenues from sales and services
[11] Net income / average total assets
[12] Net income / average stockholders' equity

RISK FACTORS

General Risk Warning

An investment in the common shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. There is an extra risk of losing money when securities are bought from smaller companies. Investors deal with a range of investments, each of which may carry a different level of risk. The investor should carefully consider all the information contained in this Prospectus, including the consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the risk factors described below in evaluating the Company's business before investing in the Company's common shares.

Prudence Required

This section entitled "Risk Factors" does not purport to disclose all of the risks and other significant aspects of investing in these securities. The investor should undertake independent research and study the trading of securities before commencing any trading activity. The investor should seek professional advice regarding any aspect of the common shares such as the nature of risks involved in the trading of securities, and specifically those of high risk securities. Investors may request publicly available information on the common shares and the Company from the Philippine SEC.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or had not understood any aspect of the securities to invest in or the nature of risks involved in the trading of securities, especially high risk securities.

The identified risks are not enumerated in the order of importance considering that all of them are of equal importance.

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

There is a risk that IMI's operating results may fluctuate significantly. Some of the principal factors affecting its operating results include:

(1) changes in demand for its products and services;

(2) customers’ sales outlook, purchasing patterns, and inventory adjustments;
(3) the mix of the types of services provided to its customers such as: volume of products, complexity of services, and product maturity;
(4) the extent to which it can provide vertically integrated services for a product;
(5) its effectiveness in managing its manufacturing processes, controlling costs, and integrating any potential future acquisitions;
(6) its ability to make optimal use of its available manufacturing capacity;
(7) changes in the cost and availability of labor, raw materials and components, which affect its margins and its ability to meet delivery schedules;
(8) its ability to manage the timing of its component purchases so that components are available when needed for production while avoiding the risks of accumulating inventory in excess of immediate production needs;
(9) timing of new technology development and the qualification of its technology by its customers; and
(10) local conditions and events that may affect its production volumes, such as labor conditions, political instability, and local holidays.

Due to the factors enumerated above and other risks discussed in this Section, many of which are beyond the Company’s control, its operating results may vary from time to time.

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

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

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

Moreover, IMI has established a structure that promotes a transparent corporate governance system. It has an Audit Committee that reviews quarterly and audited annual results of operations. It also has a Finance Committee that reviews and approves significant financial policies and performs oversight function over the risk management process of the Organization. The Company's financial statements are certified by a reputable accounting firm.

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

The demand for the Company's solutions is derived from the demand of end customers for electronic products. IMI's solutions have end-use applications in the computing, communications, consumer automotive, industrial and medical electronics industries.

These industries have historically been characterized by rapid technological change, evolving industry standards, and changing customer needs. There can be no assurance that IMI will be successful in responding to these industry demands. New services or technologies may render IMI's existing services or technologies less competitive. If IMI does not promptly make measures to respond to technological developments and industry standard changes, the eventual integration of new technology or industry standards or the eventual upgrading of its facilities and production capabilities may require substantial time, effort, and capital investment.

IMI is keeping abreast of current trends and technology in the electronics industry and is continuously conducting studies to enhance its capabilities and value proposition to its customers. It defines and executes technology road maps that are aligned with market and customer requirements.

IMI may not be able to mitigate the effects of price declines over the life cycles of its products or as a result of changes in its mix of new

and mature products, mix of turnkey and consignment business arrangements, and lower competitors' prices.

The price of IMI's products tends to decline over the product life cycle, reflecting obsolescence, decreased costs of input components, decreased demand, and increased competition as more manufacturers are able to produce similar products in large numbers as such products become standardized. Furthermore, the gross margin for manufacturing services is highest when a product is first developed. As products mature, market pressures push average selling prices down and cause gross margin erosion. IMI may be forced to reduce the price of its service for more mature products in order to remain competitive against other manufacturing services providers. IMI's gross margin may further decline if competitors lower their prices as a result of decreased costs or to absorb excess capacity, liquidate excess inventories, or restructure or attempt to gain market share.

IMI is also moving to a higher proportion of its products on turnkey production (with IMI providing labor, materials and overhead support), as compared to those under the consignment model. The margins on these turnkey businesses are generally lower than those done on consignment basis.

To mitigate the effects of price declines in IMI's existing products and to sustain margins, IMI continues to improve its production efficiency by reducing its input component costs, reducing inventory costs, and lowering operating costs. IMI must continually drive its costs down. More importantly, IMI is intensifying its effort in capturing customers with products in high-margin product niches most of which involve emerging technologies or complex manufacturing processes.

IMI is highly dependent on a relatively small group of key OEM customers for its revenues.

IMI depends on a small group of OEM customers for a substantial portion of its net revenues. Sales to IMI's ten largest customers accounted for 50%, 51% and 55% of total sales for the calendar years ended 31 December 2007 and 2008 and for the six-month period ended 30 June 2009, respectively.

There is no guarantee that IMI will retain the business of its existing key customers or the desired level of business with them. The loss of any key customer's business would seriously affect its revenues, and it may have difficulty securing comparable levels of business from other customers to offset any loss of revenue from the loss of any of its key customers. In addition, IMI may not be able to easily re-allocate its considerable customer-specific resources and assets in a timely manner.

Further, if one or more of IMI's customers were to become insolvent or otherwise unable to pay for the products supplied by IMI, this could have a material adverse effect on its business because it would not only lose profits, but it might not be able to recoup the production costs expended in providing manufacturing services. To offset this, IMI performs periodic credit studies and analysis to assess the financial standing of its existing and new customers.

Maintaining close relationships with its key customers is essential to its strategy and to the ongoing growth of its business. Because of this, several customers have been with IMI for several years, the longest has been doing business with IMI for over 20 years. In addition, IMI may expand its customer base by leveraging its existing customer relations. Most of IMI's OEM customers have affiliates in IMI's target markets. IMI's ability to capture outsourcing opportunities from these affiliates depends primarily on its technical and selling skills.

IMI generally does not obtain firm volume purchase commitments from its customers.

IMI generally does not obtain firm volume purchase commitments from its customers. Customers may place lower-than-expected orders, cancel existing or future orders or change production quantities. Although IMI's customers may be contractually obligated to purchase products, IMI may be unable to or, for other business reasons, choose not to enforce its contractual rights. Cancellations, reductions, or instructions to delay production by a significant customer could also harm IMI's operating results.

In addition, IMI makes significant decisions, including determining the levels of business that it will seek and accept, production schedules, component procurement commitments, personnel needs, and other resource requirements. These key decisions are ultimately based on estimates of customer requirements. The rapid changes in demand for its products reduce its ability to estimate accurately future customer requirements. Thus in facing these rapid changes in demand, production scheduling difficulty and the limited ability to maximize manufacturing capacity utilization are encountered.

To the extent possible, IMI negotiates for guaranteed volume and/or volume break pricing, and materials buy-back to taper the impact of sudden cancellations, reductions, delays in customer requirements.

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

IMI believes that its people are its most valuable asset and an engaged workforce is an essential element to the continued success of its organization. IMI is committed to build a workforce with purpose, excitement, and mutual alignment in order to retain its highly-skilled workers, support and technical staff and management team. It is an organization that keeps abreast of latest trends and developments to fulfill customer needs to remain in business.

IMI believes that in order to meet customer requirements it has to have highly-skilled workforce possessing the critical skills, competence and attributes to satisfactory perform and exceed the requirements of the job. To remain one of the top electronics manufacturing solutions providers, IMI must have dedicated and passionate workforce with global skills and ethical standards committed to its vision, mission and values. IMI continuously identifies top-caliber candidates and keep the pipeline full always ready to assume new roles and fuel growth.

The unending war for talent has always been a challenge in the industry. IMI believes that employee attrition has an unfavorable impact to the organization. It can interrupt operation processes that could affect the quality of its products and services that may put the business at risk.

The Company recognizes that its competitiveness is dependent on its key talent pipeline, including leadership, talent and skill pool, and succession plan. Thus, it has implemented proactive measures to retain employees through sound retention programs, encouraging work-life balance among its employees, and providing structured career development paths to promote career growth within the organization and loyalty to the Company. The Company also believes that in order to sustain IMI's growth, it will have to continuously attract, develop, engage and retain skilled workforce highly capable to achieve business goals.

IMI may encounter difficulties with acquisitions it may make in the future.

IMI's globalization strategy has transformed IMI from a Philippines-centric company into a global network with manufacturing and engineering facilities in the Philippines, China, Singapore and the United States; and sales offices in Asia, Europe and North America.

IMI's further growth may depend in part on future acquisitions, which may expose IMI to potential difficulties that include:

(1) Diversion of management's attention from the normal operations of IMI's business;

(2) Potential loss of key employees and customers of the acquired companies;

(3) Difficulties in managing and integrating operations in geographically dispersed locations;

(4) Lack of experience operating in the geographic market of the acquired business;

(5) Reduction in cash balance and increases in expenses and working capital requirements, which may reduce return on invested capital;

(6) Potential increases in debt, which may increase operating costs as a result of higher interest payments;

(7) Difficulties in integrating acquired businesses into existing operations, which may prevent it from achieving, or may reduce the anticipated synergy.

Mergers and acquisitions (M&As) may have an immediate financial impact to IMI due to:

(1) Dilution of the percentage of ownership of current stockholders;

(2) Periodic impairment of goodwill and other intangible assets; and,

(3) Liabilities, litigations, and/or unanticipated contingent liabilities assumed from the acquired companies.

If IMI is not able to successfully manage these potential difficulties, any such acquisitions may not result in any material revenues or other anticipated benefits.

To limit its exposure to these potential difficulties, IMI performs a thorough assessment of the upside and downside of any M&As. IMI creates a team from Business Development, Business Units, Finance, Legal, Engineering, and Advisers who examines the vision, long-term strategy, compatibility with IMI's culture, customer relationship, technology, and financial stability of the Company to be acquired. All M&As have to be reviewed by the Executive Committee, Finance Committee, and approved by the Board.

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

IMI's customers may require it to have a certain percentage of excess capacity that would allow it to meet unexpected increases in purchase orders. On occasion, however, customers may require rapid increases in production beyond IMI's production capacity, and IMI may not have sufficient capacity at any given time to meet sharp increases in these requirements. To soften the impact of this, IMI closely coordinates with customers which provides them regular capacity reports and action plan/s for common reference and future capacity utilizations.

IMI may be subject to reputation and financial risks due to product quality and liability issues, respectively; and may be involved in intellectual property disputes.

The contracts the Company entered into with its customers, especially customers from the automotive and medical industry, typically include warranties that its products will be free from defects and will perform in accordance with agreed specifications. To the extent that products delivered by IMI to its customers do not, or are not deemed to, satisfy such warranties, IMI could be responsible for repairing or replacing any defective products, or, in certain circumstances, for the cost of effecting a recall of all products which might contain a similar defect, as well as for consequential damages.

There can be no assurance that IMI will be able to recover any losses incurred as a result of product liability in the future from any third party, or that defects in the products sold by IMI, regardless of whether or not it is responsible for such defects, would not adversely affect its customer relations, standing and reputation in the marketplace, result in monetary losses, and have a material adverse effect on its business, financial condition, and results of operations.

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

IMI is not positioned as an original design manufacturer (ODM) so the risk of infringing upon product-related intellectual property is significantly reduced. IMI's designs and intellectual properties are used to attract customers but ultimately, the designs that IMI produces will be owned by the customer. When IMI helps its customers design their products, IMI exercises proper caution in ensuring that no intellectual property infringements are committed. It is highly unlikely IMI will enter into any such disputes.

IMI provides appropriate controls to ensure that quality is maintained and continuously improved; and would not result to losses for the customers and the Company. In addition, IMI and some of its customers maintain projects that are covered by product recall insurance.

Among others, IMI is certified on ISO 9001:2000 quality management systems and TS 16949:2002, a quality management system for automotive products. It also received several recognitions from its customers for its commitment to quality.

Possible failure to comply with environmental regulations could harm IMI's business.

IMI is subject to various national and local environmental laws and regulations in the areas where it operates, including those governing the use, storage, discharge, and disposal of hazardous substances in the ordinary course of its manufacturing processes. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at IMI's manufacturing plants indicate that it is responsible for the release of hazardous substances, IMI may be exposed to liability. Further, additional environmental matters may arise in the future at sites where no problem is currently known or at sites that IMI may acquire in the future.

IMI closely coordinates with various government agencies and customers to comply with existing regulations and continuously looks for ways to improve its environmental and safety standards.

IMI operates in a highly competitive industry.

Some of IMI's competitors in the industry may have greater design, engineering, manufacturing, financial, or other resources than IMI. Customers evaluate EMS and ODMs based on, among other things, global manufacturing capabilities, speed, quality, engineering services, flexibility, and costs. In outsourcing, OEMs seek, among other things, to reduce cost. In addition, major OEMs typically outsource the same type of products to at least two or three outsourcing partners in order to diversify their supply risks. The competitive nature of the industry has resulted in substantial price competition. IMI faces increasing challenges from competitors who are able to put in place a competitive cost structure by consolidating with or acquiring other competitors, relocating to lower cost areas, strengthening supply chain partnerships, or enhancing solutions through vertical integration, among others. IMI may lose its customers to its competitors if it fails to keep its total costs at competitive levels for comparable products.

IMI may also lose customers if it fails to develop and provide the technology and skills required by its customers at a rate comparable to its competitors. There can be no assurance that IMI will be able to competitively develop the higher value add solutions necessary to retain business or attract new customers. There can also be no assurance that IMI will be able to establish a compelling advantage over its competitors.

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

IMI regularly assesses the appropriate pricing model (strategic/value based, demand based, etc.) to be applied on its quotation to existing or prospective customers. The Company is also strengthening its risk management capabilities to be able to turn some of the risks (e.g., credit risks) into opportunities to gain or maintain new or existing customers, respectively.

IMI's industry is dependent on the continuous growth of outsourcing by the original equipment manufacturers.

IMI belongs to an industry that is dependent on the strong and continuous growth of outsourcing in the computing, communications, consumer automotive, industrial, and medical electronics industries. IMI's industry exists because customers choose to outsource certain functions in the production process of certain machines and equipments in these industries. A customer's decision to outsource is affected by its ability and capacity for internal manufacturing and the competitive advantages of outsourcing.

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

IMI believes that its manufacturing operations in Singapore, Philippines, and several parts of China and its enhanced supply chain systems and capabilities will continue to provide strategic advantages for customers to outsource certain functions of their manufacturing processes to IMI.

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

The profitability of companies in the same industry as IMI depends on the performance and business of the industry's customers, driven by the demand for electronic products by end consumers. If the end-user demand is low for the industry's customers' products, companies in IMI's industry may see significant changes in orders from customers and may experience greater pricing pressures. Therefore, risks that could seriously harm the customers of IMI's industry could, as a result, adversely affect IMI as well. These risks include:

(1) Their inability to manage their operations efficiently and effectively;
(2) Reduced consumer spending in key customers' markets;
(3) Seasonal demand for their products; and,
(4) Failure of their products to gain widespread commercial acceptance.

The impact of this risk has been very evident with the ongoing global financial crisis resulting in global reduction of demand for electronics products by end customers. IMI mitigates the impact of industry downturns on demand by rationalizing excess labor and capacity to geographical areas most optimal, and by initiating cost containment programs. There have been recent indications that the crisis has bottomed out and the Company was able to re-hire some of its employees. However, IMI remains cautious and is continuously monitoring improvements resulting from its cost containment programs.

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

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

IMI is often required by its customers to source certain key components from suppliers on approved vendor lists who have been qualified by its customers, and IMI may not be able to obtain alternative sources of supply should such qualified suppliers be unable to meet the supply in the future. Shortages of components could limit IMI's production capabilities or cause delays in production, which could prevent it from making scheduled shipments to customers.

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

To the extent possible, IMI works closely with customers to ensure that there is at least one back up supplier or manufacturer for customer-supplied components or components supplied by customer-nominated suppliers. In addition, IMI has established supplier certification and development programs designed to assess and improve suppliers' capability in ensuring uninterrupted supply of components to IMI.

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

Like other EMS and ODMs, IMI may be exposed to a risk of inventory obsolescence because of rapidly changing technology and customer requirements. Inventory obsolescence may require IMI to make adjustments to write down inventory to the lower of cost or net realizable value, and its operating results could be adversely affected. IMI realizes these risks and as a result, IMI exercises due diligence in materials planning and provides provision in its inventory systems and planning. IMI is working with key suppliers to establish supplier-managed inventory arrangements that will make the supplier responsible for carrying inventory.

IMI's international operations expose it to various business, economic, political, regulatory, and legal risks.

IMI has operations in Singapore, Hongkong, China, and United States of America. These international operations, which is about 50% and 58% of the total revenues for the calendar year ended 31 December 2008 and six months ended 30 June 2009, respectively, expose IMI to numerous risks and challenges, including:

(1) managing operations that require coordination of communications, directions for the manufacture and delivery of products, coordination regarding procurement and delivery of components and raw materials, and other activities and decisions of different management teams;

(2) coordinating the activities of senior management who are spread out internationally;

(3) reversal of currently favorable policies encouraging foreign investment or foreign trade by host countries could lead to the imposition of government controls, changes in tariffs or trade restrictions on component or assembled products;

(4) the burden of complying with a variety of foreign laws, including delays or difficulties in obtaining import and export licenses, and regulations and unexpected changes in legal and regulatory environments, including changes to import and export regulations and duties;

(5) lower levels of protection for intellectual property rights in some countries;

(6) potentially adverse tax consequences, including tax consequences which may arise in connection with inter-company pricing for transactions between separate legal entities within a group operating in different tax jurisdictions, and overall increases in duties and taxation;

(7) potential foreign exchange and repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions;

(8) lack of developed local infrastructure, transportation and water supply, and difficult and costly local staffing and sourcing of raw materials or components in some countries;

(9) actions which may be taken by foreign governments pursuant to any trade restrictions; and

(10) possible labor unrest and political economic instability.

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

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

The Audit Committee of the Board meets regularly and performs its oversight role in managing the risks involved in the operations of IMI. The Board appointed a Chief Risk Officer who oversees the entire risk management function and is responsible for overall continuity. Moreover, SGV has been engaged as a risk management consultant which is overseen by the Finance Committee of the Board.

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

IMI has adopted various Risk Management Policies like hedging policy that will protect company's position on different currencies against movements of the US dollars. Limits on business transactions have been set with different sites following the Company guidelines on limit of authorities granted to Company officers and executives. The Company has also introduced and adopted Enterprise Wide Risk Management program that will identify all risks related to the business and also identify risk mitigating factors to manage the risk.

While the Company tries to keep its local expertise, it also established global functions to ensure that there is adequate coordination of activities. In addition, the availability and use of cell phones, e-mails, and internet based communication tools by the Company resulted in more efficient and timely coordination of activities and decision making by Management from different sites and countries. Moreover, on a need be basis, the Company seeks the help of consultants and subject matter experts for changes in laws and regulations that may have a significant impact in the Company's business operations. It also maintains good relationship with local government, customs, and tax authorities through business transparency and compliance and/or payment of all government related dues on time.

IMI's subsidiary in China has created a full-time tax management function to ensure compliance with tax rules and regulations. It also aggressively pursued hiring of experienced logistics managers and staff from global electronics companies operating in China. This enables the Company to ensure that it has sufficient manpower complement possessed with the required skills and experience to find vendors in and out of China for its global materials requirements.

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

With respect to legal proceedings involving the Company, Ayala Corporation's General Counsel and Corporate Governance & Legal Affairs group analyze its transactions and activities to ensure compliance with law, regulation, and contractual obligations. In the event that material litigation against it does arise, IMI assesses the merits of the case and its impact on company operations. IMI refers the case to Ayala Corporation's General Counsel and Corporate Governance & Legal Affairs and if needed, the Company retains external counsel to help in the analysis or handle the actual litigation of the case.

IMI has a Business Continuity Plan composed of, among other components, the ICT Systems Continuity Plan and the Disaster Recovery Plan. The Company backs-up data in its servers on a daily basis. Data is backed-up on tape drives for critical and non-critical applications. For SAP-R3 Financials, data is replicated to a back-up site every hour. Critical systems are recoverable within four to eight hours; regular systems can be recovered within 24 hours. IMI continually invests in business continuity technology in order to reduce the recovery time of servers at the back-up site, maximize the reliability, efficiency and manageability of the back-up system. All these are designed for the recovery of IMI's critical production systems in its principal office in the event said office becomes unavailable due to disaster.

IMI's HR ensures that the Company is able to inspire all its employees from different sites through a common vision, that employees find greater meaning in the work they do, and more importantly, employees are convinced that rewards and recognition are linked to contribution and performance. As part of the Company's succession planning initiatives, it has instituted various employee development programs, including cross-posting, foreign immersions, educational assistance, mentoring and leadership development training. These programs equip the middle-managers with the right tools needed not only for their present responsibilities, but also those required for them to assume higher positions in the organization. These programs minimize the risks associated with the turn-over of experienced management, as IMI would be able to find competent people to take their place.

The Company has been able to overcome major crises brought about by economic and political factors affecting the country where it operates. The strong corporate governance structure of the Company and its prudent management team are the foundations for its continued success. IMI also constantly monitors its macroeconomic risk exposure, identifies unwanted risk concentration, and modifies its business policies and activities to navigate such risks. Severe macroeconomic contractions may conceivably lead IMI to tweak or modify its investment decisions to meet the downturn. As a holding company, IMI will affirm the principles of fiscal prudence and efficiency in operations to its subsidiaries operating in various countries.

IMI faces risks related to foreign currency exchange rates.

Because IMI does business in various countries, IMI is exposed to foreign currency fluctuations, which IMI may not be able to control by matching currencies for its assets and liabilities, and forward foreign currency exchange rate arrangements. IMI also faces the risk that foreign exchange policies in countries where it operates may change in ways that could adversely affect its business. IMI regularly performs cash flow analysis from each site to determine amount of foreign currency exposure to be hedged. IMI's Finance Committee of the Board regularly reviews IMI's foreign currency strategies for guidance and proper execution.

IMI may suffer business interruptions resulting from "Acts of God" and global events.

"Acts of God" and global events like health pandemics may disrupt production activities, transportation, and distribution. In addition, external factors such as potential terrorist attacks, acts of war, or geopolitical and social turmoil in parts of the world where IMI operates or that serve as markets for its products could significantly and adversely affect its business and operating results in ways that cannot presently be predicted. These uncertainties could limit the capabilities of IMI to accurately plan future business activities.

IMI continues to look for opportunities to expand its operations to other location or countries that will provide competitive advantages through its location, products, labor skills, and costs. While these expansions may bring in new risks, it also reduces the risk that the Company may be adversely affected by political and regulatory risks specific to each location or country.

In addition, IMI has well established business contingency plans to reduce the impact of these events to our operations. IMI is also adequately covered with insurance against possible losses resulting from these disasters.

Risks relating to the potential future sale of Common Shares

The Common Shares have not been publicly traded and the relative volatility and illiquidity of the Philippine securities market may substantially limit investors' ability to sell the Common shares at a suitable price or at a time they desire once they are actively traded in the market.

The Common Shares have not been publicly traded and future trading may be limited. The Philippine securities market is substantially smaller, less liquid, and more volatile than major securities markets in the United States and other jurisdictions, and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Common Shares will always be active or illiquid upon their listing on the PSE. The Company public offering is not expected to happen over the next six months, and it is allowed up to twelve months to launch its initial public offering.

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

Although economic conditions are different in each country, investors' reactions to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. Accordingly, adverse developments in other emerging market countries could lead to a reduction in the demand for, and market price of the Common Shares.

Risks relating to the Philippines or other country where IMI operates

The financial performance of the Company and its subsidiaries, as well as their business prospects, may be influenced by the general political and peace and order situation in the Philippines or the country in which it operates and the state of the country's economy, all of which are beyond the Company's control. Any actual or perceived political and economic instability may adversely affect, directly or indirectly, the Company's business and ultimately, its financial performance. Any potential investor in, and buyer of, the Subject Shares should pay particular attention to the fact that the Company and its subsidiaries are governed in the Philippines or in the country in which they respectively operate by a legal and regulatory system which, in some respects, may differ from that obtaining in other countries.

Risks relating to Statements in this Prospectus

Certain statistics in this Prospectus relating to the Philippines or other country, the industries and markets in which the Company's businesses operate have not been independently verified and may not be accurate, complete, up-to date or consistent with other information compiled within or outside the Philippines.

USE OF PROCEEDS

Considering that the Company will not be offering its shares to the public, no proceeds will be derived from the registration and listing by way of introduction of its shares.

The ESTIMATED expenses related to the Listing by Way of Introduction are as follows:

TABLE OF EXPENSES

SEC Filing Fee	₱ 913,621
PSE Listing & Processing Fee	7,866,052
Legal and Professional Fee	8,112,500
Printing and Documentation	182,479
Stock and Transfer Agent Fee	60,000
ESTIMATED TOTAL	**₱17,134,652**

DESCRIPTION OF SECURITIES TO BE REGISTERED

The following is general information relating to the Company's capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of the Company's Articles of Incorporation and By-Laws.

The Company will be registering with the Securities and Exchange Commission One Billion Two Hundred Sixty Eight Million Four Hundred Ninety Seven Thousand Two Hundred Fifty Two (1,268,497,252) common shares with a par value of ₱1.00 per share or an aggregate amount of One Billion Two Hundred Sixty Eight Million Four Hundred Ninety Seven Thousand Two Hundred Fifty Two Pesos (₱1,268,497,252) (the Subject Shares). The Subject Shares will be listed by way of introduction with the PSE under Section 1(e) of Part H of Article III of the Revised Listing Rules.

Opening Price of Subject Shares

There has been no market price for the Subject Shares derived from day to day trading since the Subject Shares have not been listed on any stock exchange.

The indicative reference opening price ("Opening Price") of Subject Shares shall be P6.24 per share based on the Company's September 30, 2009 book value per share of US$0.131 at the BSP's reference rate of USD/Php exchange rate of P47.63 on said date.

The Company's management believes the indicative reference Opening Price should be based on the Company's book value per share given the still volatile nature of the EMS industry. Such price is deemed appropriate after taking the following into consideration: (i) limited electronics-related stocks in the Philippine market, and (ii) current performance and valuation multiples of comparable listed EMS companies in the ASEAN region in reference to the corresponding country's stock market index (given that there are no listed EMS companies in the Philippines).

No offer price has been set and no underwriters have been engaged as no initial public offering of shares shall be conducted and Subject Shares sought to be registered will be listed by way of introduction in the First Board of the Philippine Stock Exchange. Moreover, there will be no change in the number of the Company's outstanding shares following said registration and share listing by way of introduction.

In determining the offer price of the Common Shares in the public offering to be made within one (1) year from listing, various factors shall be considered, such as, prevailing stock market conditions and the estimates of the business potentials and earnings prospects of the Company as assessed by the Company's Management.

Objects and Purposes

The Company's Articles of Incorporation (AOI) states that its primary purpose is to "undertake the production and manufacture of any and all types of electronic products, and in providing services related thereto and to the extent permitted by law, may either directly or indirectly, through its subsidiaries, affiliate organizations or through correspondent enterprises, engage and/or undertake the following and other activities related thereto:

a. To purchase, import, fabricate, manufacture, lease or in any other manner, acquire machines and equipment for the processing, manufacture, production and/or packaging of the products and commodities above-mentioned;

b. To purchase, import, process or in any other manner acquire all or any raw materials, supplies, and whatever inputs are needed for the production of the aforesaid products and commodities;

c. To purchase or otherwise acquire, sell, lease, manage, control, and/or operate factories, buildings, and other structures together with real estate necessary therefore, or which may be useful or proper to the herein-stated operations of the Corporations;

d. To engage the services of technicians, professionals, employees, agents and/or consultants as may be desired or needed in the conduct of corporate operations and affairs, particularly in the day-to-day operations and production, and in the servicing of electronic products;

e. To dispose of or deal in, trade, distribute, sell, export, lease or in any other manner, market, wholesale, all or any of the products described;

f. To provide specialized technical and professional services in the field of electronics, whether or not pertaining to the products of the Corporation;

g. To conduct researches, studies, investigations, tests directly by itself, or indirectly by funding and in any other manner, supporting the same, in the field of electronics, including matters related thereto such as but not limited to appropriate production systems and methods, and towards the attainment of new and/or improved electronic products;

h. To provide to other business enterprise, for or without consideration, technical, managerial and other knowledge, advice, information and services, from the pool of knowledge and experience gained from its day-to-day operations or though specific research/study undertaken by it."

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by a majority of the board of directors and ratified by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, at a stockholders' meeting duly called for the purpose; provided, however, that where the investment by a corporation is reasonably necessary to accomplish its primary purpose as stated in the AOI, the approval of the stockholders shall not be necessary.

Authorized Capital Stock

IMI presently has an authorized capital stock of ₱3,000,000,000 divided into 1,500,000,000 common shares and 1,500,000,000 preferred shares, both with par values of ₱1.00 per share. As of 30 September 2009, the total outstanding capital stock of IMI consists of 1,229,794,252 common shares and 1,300,000,000 preferred shares.

The Company's Preferred Shares were created in November 2008 and a total of 1.3 Billion shares were issued thereafter. The Preferred Shares have the following features, rights and privileges:

a) With voting rights;

b) Par value of ₱1.00 per share;

c) Dividend rate shall be floating to be set and determined at the time of issue and every five years by the Board of Directors. The rate shall be equivalent to the 5-year Philippine Dealing System Treasury Reference Rate PM (PDST-R2) as displayed in the "PDEX" page (or such successor page) of Bloomberg (or such successor electronic service provider) two days prior to Dividend Rate Setting plus a spread of twenty five (25) basis points. Dividend will be paid quarterly.

   Dividends payable to foreign shareholders shall be paid in the equivalent amount in US Dollars based on the exchange rate as of the record date set by the Board, less applicable withholding taxes.

d) Cumulative in payment of current dividends as well as any unpaid back dividends on the shares;

e) Non-convertible into common shares;

f) Preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Corporation and in the payment of the dividend at the rate specified;

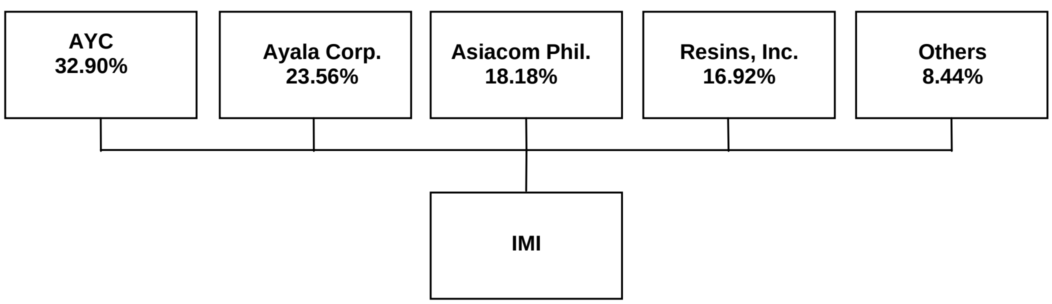
g) Non-participating in any other or further dividends beyond that specifically payable on the shares;

h) No pre-emptive rights to any issue of shares, Common or Preferred; and,

i) Redeemable at the option of the Corporation at issue value after the 5th year issue anniversary of the shares and under such terms that the Board of Directors may determine, in any case subject to the payment of all accrued and unpaid dividends due on the shares.

   For foreign shareholders, redemption shall be based on the total Peso value at the time of subscription and will be paid in the equivalent amount in US Dollars at the time of redemption.

Ownership



** The Ayala Group, on a combined basis, owns and controls 67.68% of the common stock*

As of 30 September 2009, the following are the stockholders of IMI:

		COMMON			PREFERRED			T O T AL		
Stockholder	**Security**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Common)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Preferred)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Total)**
AYC Holdings Inc. (British)	Common	832,342,900	832,342,900	67.68%				832,342,900	832,342,900	32.90%
Ayala Corporation (Filipino)	Preferred				596,043,238	596,043,238	45.85%	596,043,238	596,043,238	23.56%
Asiacom Philippines, Inc. (Filipino)	Preferred				460,000,000	460,000,000	35.38%	460,000,000	460,000,000	18.18%
Resins, Inc. (Filipino)	Common & Preferred	208,110,100	208,110,100	16.92%	219,979,398	219,979,398	16.92%	428,089,498	428,089,498	16.92%
Esown Subscription[1] (Various)	Common	96,847,916	97,272,916	7.91%				97,272,916	97,272,916	3.85%
Poms Investment Pte Ltd. (Singaporean)	Common	49,842,738	49,842,738	4.05%				49,842,738	49,842,738	1.97%
Mitsubishi Corporation (Japanese)	Common & Preferred	10,500,000	10,500,000	0.85%	11,098,843	11,098,843	0.85%	21,598,843	21,598,843	0.85%
SIIX Corp (Japanese)	Common & Preferred	5,721,102	5,721,102	0.47%	6,047,392	6,047,392	0.47%	11,768,494	11,768,494	0.47%
ESOWN Trust Account (Filipino)	Common	11,244,944	11,244,944	0.91%				11,244,944	11,244,944	0.44%
Chng Poh Guan (Singaporean)	Common	2,915,647	2,915,647	0.24%				2,915,647	2,915,647	0.12%
Phua Teo Chye (Singaporean)	Common	2,822,150	2,822,150	0.23%				2,822,150	2,822,150	0.11%
Chow Phui Kheong (Singaporean)	Common	2,751,108	2,751,108	0.22%				2,751,108	2,751,108	0.11%
Kwok Kai Ming (Singaporean)	Common	1,476,661	1,476,661	0.12%				1,476,661	1,476,661	0.06%
Helmut Baumgart (German)	Preferred				1,062,122	1,062,122	0.08%	1,062,122	1,062,122	0.04%
Andrew C. Carreon (Filipino)	Preferred				1,043,400	1,043,400	0.08%	1,043,400	1,043,400	0.04%
Jocelyn E. Tan (Filipino)	Common	900,000	900,000	0.07%				900,000	900,000	0.04%
Meneleo J. Carlos, Jr. (Filipino)	Preferred				855,000	855,000	0.07%	855,000	855,000	0.03%

(Forward)

(1) This includes ESOWN shares which are indeed outstanding but not yet issued.

		COMMON			PREFERRED			T O T AL		
Stockholder	**Security**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Common)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Preferred)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Total)**
Michael R. Hansson (Swedish)	Common	690,292	690,292	0.06%				690,292	690,292	0.03%
Neilson C. Esguerra (Filipino)	Preferred				500,000	500,000	0.04%	500,000	500,000	0.02%
Ceferino L. Follosco (Filipino)	Preferred				426,720	426,720	0.03%	426,720	426,720	0.02%
Others (Singaporean, American, and Others)	Common & Preferred	3,628,694	3,203,694	0.26%	2,943,887	2,943,887	0.23%	6,147,581	6,147,581	0.24%
Total		1,229,794,252	1,229,794,252	100.00%	1,300,000,000	1,300,000,000	100.00%	2,529,794,252	2,529,794,252	100.00%

The 15,892,365 Common Shares are Treasury Shares. Moreover, IMI has no treasury buy-buck program.

Lock-Up

Under the Revised Listing Rules of the PSE applicable to companies applying for listing in the First Board of the Exchange, existing shareholders who own an equivalent of at least 10% of the issued and outstanding Common Shares of the Company after the Offer are required not to sell, assign or otherwise dispose of their Common Shares for a minimum period of 180 days after the Listing Date. Based on the foregoing, the following shall be subject to the lock-up agreement of the PSE:

Name of Beneficial Owner	No. of Shares Subject to Lock-Up	Percentage Owned
AYC Holdings, Ltd.	832,342,900	67.68%
Resins, Inc.	208,110,100	16.92%

There is no proposed issuance of Common Shares or securities prior to listing date that would require shares to be locked-up for 365 days.

Restrictions on Ownership and Transfer of Shares

There are no existing provisions in the Amended Articles of Incorporation and Amended By-Laws of IMI on foreign ownership restriction.

On 29 August 2007, the Board of IMI approved the recommendation of IMI's management to amend the Company's AOI to delete the portion on ownership restriction contained in Article Seventh and the entire Article Eighth of the AOI. Upon the written assent of the stockholders of IMI representing at least two-thirds (2/3) of the outstanding capital stock obtained as of 07 September 2007, the stockholders approved the deletion of said portion of Article Seventh and the entire Article Eighth of the AOI.

The Certificate of Amendment to the Amended AOI of IMI was filed by the Company with the SEC on 13 September 2007. On 21 September 2007, the SEC approved the said amendments to IMI's AOI.

Pre-Emptive Rights

Generally, all stockholders of a corporation have rights of pre-emption, allowing them to subscribe to any issue of shares in proportion to their existing shareholdings, except with respect to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public, or to shares to be issued in good faith with the approval of the stockholders representing at least 2/3 of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

IMI, however, has provided in its AOI that there are no pre-emptive rights to any issue of shares, common or preferred.

Appraisal Rights

Under the Corporation Code, the appraisal right may be exercised by any stockholder who shall have voted against a proposed corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. The failure to make the demand within such period shall be deemed a waiver of the right.

The appraisal right may be exercised in the following instances:

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

(b) In case of extending or shortening the term of corporate existence;

(c) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

(d) In case the corporation decides to invest its funds in another corporation or business outside of its primary purpose; and

(e) In case of merger or consolidation.

From the time of demand for payment of the fair value of stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend rights, shall be suspended, except the right of such stockholder to receive payment of the fair value thereof. If the dissenting stockholder is not paid the value of his shares within thirty (30) days after the award, his voting and dividend rights shall immediately be restored.

No demand for payment by way of exercise of appraisal right may be withdrawn unless the corporation consents thereto.

Nonetheless, in the following instances, even when demand has been made, it can be withdrawn by the dissenting stockholder:

(a) If such demand for payment is withdrawn with the consent of the corporation;

(b) If the proposed corporate action is abandoned, or rescinded by the corporation;

(c) If the proposed corporate action is disapproved by the SEC where such approval is necessary; or

(d) If the SEC determines that such shareholder is not entitled to appraisal right.

In cases where the exercise of the appraisal right is withdrawn or deemed withdrawn, then the right of the stockholder to be paid the fair value of his shares shall cease, his status as a stockholder shall thereupon be restored, and all his dividend distributions which would have accrued on his shares shall be paid to him.

Changes in Control

There is no provision in IMI's Articles of Incorporation and By-Laws that may cause delay or deferment of or prevent a change in control of IMI.

Transfer of shares and share register

Beginning 1 July 2009, PSE Memorandum No. 2009-0218 on the amendment to the PSE Listing Rules, particularly on the lodgment of securities shall apply to companies applying for listing by way of introduction such as IMI.

The new Rules provide –

Section 16. Lodgment of Securities - As a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the Philippine Depository and Trust Corporation (PDTC), or any other entity duly authorized by the Commission, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the Securities Regulation Code. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the following:

(a) Sworn corporate secretary's certificate stating that all the securities have been issued in uncertificated form in accordance with the requirements of Section 43 of the Securities Regulation Code and electronically lodged with the PDTC or any other authorized entity without any jumbo or mother certificate;

(b) Written confirmation issued by the transfer agent confirming that it has the capability and capacity to handle the issuance and transfer of uncertificated securities; and,

(c) Written confirmation issued by PDTC or any other authorized entity confirming the electronic lodgment of the applicant's securities.

The above requirements shall also apply to follow-on offerings and additional listing applications.

In this regard, Section 43 of the Securities Regulation Code provides –

SECTION 43. Uncertificated Securities. — Notwithstanding Section 63 of the Corporation Code of the Philippines: 43.1. A corporation whose securities are registered pursuant to this Code or listed on a securities Exchange may:

(a) If so resolved by its Board of Directors and agreed by a shareholder, investor or securities intermediary, issue shares to, or record the transfer of some or all of its shares into the name of said shareholders, investors or, securities intermediary in the form of uncertificated securities. The use of uncertificated securities in these circumstances shall be without prejudice to the rights of the securities intermediary subsequently to require the corporation to issue a certificate in respect of any shares recorded in its name; and,

(b) If so provided in its articles of incorporation and by-laws, issue all of the shares of a particular class in the form of uncertificated securities and subject to a condition that investors may not require the corporation to issue a certificate in respect of any shares recorded in their name.

43.2. The Commission by rule may allow other corporations to provide in their articles of incorporation and by-laws for the use of uncertificated securities.

43.3. Transfers of securities, including an uncertificated securities, may be validly made and consummated by appropriate book-entries in the securities accounts maintained by securities intermediaries, or in the stock and transfer book held by the corporation or the stock transfer agent and such bookkeeping entries shall be binding on the parties to the transfer. A transfer under this subsection has the effect of the delivery of a security in bearer form or duly indorsed in blank representing the quantity or amount of security or right transferred, including the unrestricted negotiability of that security by reason of such delivery. However, transfer of uncertificated shares shall only be valid, so far as the corporation is concerned, when a transfer is recorded in the books of the corporation so as to show the names of the parties to the transfer and the number of shares transferred.

However, nothing in this Code shall preclude compliance by banking and other institutions under the supervision of the Bangko Sentral ng Pilipinas and their stockholders with the applicable ceilings on shareholdings prescribed under pertinent banking laws and regulations.

Philippine law does not require transfers of the Corporation's shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "Philippine Taxation". All transfers of IMI shares on the PSE must be effected through a licensed PSE Broker.

Stockholders' Meetings

Annual Stockholders' Meetings

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of stockholders for corporate purposes including the election of directors. The Company's by-laws provide that the regular meetings of the stockholders shall be held at the principal office of the Company on the second day of May of each year. If such day falls on a holiday, the meeting shall be held on the first working day after such date.

Special Stockholders' Meeting

Special stockholders' meetings may be held at the principal office of the Company at any time by resolution of the Board of Directors or at the written request of stockholders representing at least one-third (1/3) of the subscribed and outstanding capital stock of the Company, setting forth the purpose of such meeting in the notice.

All stockholders' meetings shall be presided by the Chairman of the Board of Directors, or in his absence, by the Vice-Chairman, or in his absence, by the President, and in case the latter is also absent, by the senior Director, or by the oldest if several became directors on the same date.

Notice of Meetings

Notice of regular meetings shall be sent to all stockholders at least 15 business days prior to the meeting. Call for special meeting shall be sent by personal delivery or by mail, with postage prepaid, and the notice shall be deposited in the Manila post office, addressed to the address registered in the books of the Company at least 15 business days in advance of the date for which the meeting is called. Such call shall specify the business to be transacted at the meeting, and no business other than that specified in the call shall be transacted at such meeting.

Quorum

Regular and special meetings of the stockholders shall be constituted and resolutions may be passed provided that over one-half (1/2) of the subscribed and outstanding capital stock is present or represented except in cases where the Corporation Code requires a greater number. For the election of Directors, it is necessary that one-half (1/2) plus one of the subscribed and outstanding capital stock be present or represented.

Voting Rights

The holders of the common and preferred shares of IMI have full voting rights.

The holders of the common shares are entitled to a *pro rata* share in the assets of the Company available for distribution in the event of dissolution, liquidation, or winding-up.

The holders of preferred shares have preference over holders of common shares in the distribution of assets in the event of dissolution and liquidation of the Company and in the payment of the dividend at the rate specified.

Dividends

IMI may declare cash, property or stock dividends in the future. Stockholders of IMI are entitled to receive proportionate shares in the cash or property dividends that may be declared by the Board out of IMI's unrestricted retained earnings. The same right exists with regard to stock dividends, the declaration of which is subject to the approval of stockholders representing at least 2/3 of the outstanding shares entitled to vote.

In relation to foreign stockholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Bangko Sentral ng Pilipinas (the Philippine Central Bank, or "BSP").

Pursuant to an opinion issued by the SEC, the retained earnings from which dividends can be legally declared by IMI do not include the participation or share of IMI in the profits of IMI's subsidiaries and affiliates, unless and until such profits are actually received by IMI in the form of dividends.

On 26 March 2009, the Board of IMI approved the declaration and payment of cash dividends amounting to US$0.00163 per common share or the equivalent of US$2,004,564 out of the unrestricted retained earnings of the Company as of 31 December 2008, to all common stockholders as of record date 26 March 2009.

Also on 26 March 2009, the Board of IMI approved the declaration and payment of quarterly cash dividend of 8.25% p.a. or the equivalent of US$549,684, out of the unrestricted retained earnings of the Company as of 31 December 2008, to all stockholders of the Company's Preferred Class "B" Shares as of record date 08 May 2009.

On 16 December 2008, the Board of IMI approved the declaration and payment of quarterly dividend of 8.25% p.a. or the equivalent of US$560,727, out of the unrestricted retained earnings of the Company as of 31 December 2007, to all stockholders of the Company's Preferred Class "B" shares as of record date 09 February 2009.

On 07 May 2008, the Board of IMI approved the declaration and payment of cash dividends amounting to US$0.00873 per common share, or the equivalent of US$10,736,659, out of the unrestricted retained earnings of the Company as of 31 December 2007, to all stockholders of the Company's common shares as of record date 30 April 2008.

On 04 May 2007, the Board of IMI approved the declaration and payment of cash dividends amounting to US$0.00882 per share, or the equivalent of US$10,436,286, out of the unrestricted retained earnings of the Company as of December 31, 2006, to all stockholders of the Company's common shares as of record date 30 April 2007.

On 11 May 2006, the Board of IMI approved the declaration and payment of cash dividends amounting to US$0.00666 per share, or the equivalent of US$7,880,090, out of the unrestricted retained earnings of the Company as of 31 December 2005 of to all stockholders of the Company's common shares as of record date 30 April 2006. These dividends were paid in two tranches, with the first tranche being paid on 30 June 2006 amounting to US$5,254,600 and the second tranche being paid on 02 October 2006 amounting to US$2,625,490.

IMI's Dividend Policy

1) A cash dividend of thirty percent (30%) shall be declared and annually paid from previous year earnings to all stockholders. The target dividend rate should be increased if the earnings appear clearly sustainable and relatively permanent.
2) Dividend shall not be paid from capital.
3) The preferred share dividend shall take precedent over the distribution of dividends for common shares.
4) All cash dividend declaration to stockholders as of record date shall be approved by the Board of Directors.
5) Dividend payment shall be made after the annual stockholders meeting or at year-end.

THE COMPANY

INDUSTRY OVERVIEW

The electronics manufacturing services (EMS) industry is comprised of companies that provide a broad range of electronics manufacturing services to original equipment manufacturers (OEMs). During the past decade, OEMs have become increasingly reliant upon these solutions to enhance their competitive positions. Today, the leading EMS companies such as IMI have multi-country manufacturing networks with worldwide supply chain management and offer end-to-end services for the entire product lifecycle, including design and engineering, manufacturing and systems integration, fulfillment and after-market services. By outsourcing their manufacturing and related services, OEMs are able to overcome their most pressing business challenges related to cost, quality, time-to-market and rapidly changing technologies, positioning them more competitively in their respective business environments. Outsourcing adoption by OEMs is expected to continue growing across a number of industries, because it allows OEMs to:

- **Reduce Operating Costs and Invested Capital:** OEMs are under significant pressure to reduce manufacturing costs and capital expenditures as electronic products have become more technically advanced and the manufacturing process has become increasingly automated, which requires greater levels of investment in capital equipment. EMS companies enable OEMs to gain access to advanced manufacturing facilities, supply chain management and engineering capabilities, additional capacity, greater flexibility for product ramp-up and changeover, and the economies of scale which EMS companies provide. As a result, OEMs can reduce their overall product lifecycle and operating costs, working capital and capital investment requirements.

- **Focus Resources on Core Competencies:** The electronics industry is experiencing greater levels of competition and rapid technological change. In this environment, many OEMs are seeking to focus on their core competencies that include technology development, product development, brand marketing and customer service, and to outsource manufacturing, supply chain and other product support requirements to their EMS partners.

- **Shorten Time-to-Market:** Electronic products are experiencing increasingly shorter product lifecycles, requiring OEMs to continually reduce the time required to bring products to market. OEMs can significantly improve product development cycles and enhance time-to-market by benefiting from the expertise and infrastructure of EMS providers.

- **Utilize EMS Companies' Procurement, Inventory Management and Logistics Expertise:** OEMs that manufacture internally are faced with greater complexities in planning, procurement and inventory management due to frequent design changes, shorter product lifecycles and product demand fluctuations. OEMs can address these complexities by outsourcing to EMS providers that have built large supply chain management capabilities and can leverage significant component procurement advantages to lower product costs.

- **Access Leading Engineering Capabilities and Technologies:** Electronic products and electronics manufacturing technology continue to become increasingly sophisticated and complex. As a result, OEMs increasingly rely on EMS companies to provide design, engineering support, manufacturing and technological expertise. Through their design and engineering services, EMS companies can assist OEMs in the development of new product concepts, or the re-design of existing products, as well as with improvements in the performance, cost and time required to bring products to market. In addition, OEMs gain access to high-quality manufacturing expertise and capabilities in the areas of advanced process, interconnect and test technologies.

Industry outlook and trends

From a global recession, economic recovery appears underway. By 2010, the global economy is expected to grow by 3 percent driven by Asia, mainly by China and India.[13]

With an improving economic environment, the electronics industry heads toward the road to recovery. Global PC shipments in the second quarter 2009 declined 5 percent year on year, better than the 6.5 percent drop in the previous quarter. The actual recovery is seen to happen by the third quarter of 2010.[14] Mobile phone shipments fell 10.8 percent year on year in the second quarter of 2009, better than the 17.2 percent drop in the first quarter.[15] Sustainable growth is seen by the first quarter of 2010.[16] Automotive electronics, one of the hardest hit sectors, is forecast to fall by 24.4 percent in 2009 compared to the previous year. Depending on the performance of the North American market, gradual recovery may be seen by the first quarter of 2010.[17]

[13] IMF World Economic Outlook, October 2009, "Sustaining the Recovery"
[14] Gartner Press Release, July & October 2009, "Signs of Improvement for End-User Electronics Recovery"
[15] IDC Press Release, July 2009, "IDC Worldwide Mobile Phone Tracker"
[16] Gartner Press Release, October 2009, "Signs of Improvement for End-User Electronics Recovery"
[17] iSuppli Press Release, July 2009, "iSuppli Trims 2009 Chip & Electronics Forecasts But Sees Second-Half Rebound"

Global recessions are times of pent up demand; they do not eliminate demand for electronic products and systems. As soon as things look better, companies and individuals start buying new electronic devices and replace old ones. This will increase production of original equipment manufacturers (OEMs). Consequently, the electronics manufacturing services (EMS) industry will experience higher volume requirement from OEMs.

The global electronics assembly market is expected to decline by 13.4 percent from US$964 billion in 2008 to US$835 billion in 2009. However, it is projected to rise by 10.7 percent in 2010 to US$916 billion and at a compounded annual growth rate (CAGR) of 5.1 percent from 2008 until 2013.[18]

The penetration rate of the total electronics outsourcing industry (EMS and ODM) will increase from 31 to 35 percent from 2008 to 2013. There is ample room for industry growth since as much as 69 percent of the total electronics assembly is currently being done in-house by OEMs and there is a rising trend toward outsourcing as some OEMs are forced to downsize. Outsourcing revenue is expected to drop by 6.5 percent in 2009 from the previous year's US$294 billion, bouncing back to US$297 billion in 2010. Both EMS and ODM will have a combined CAGR of 8.1 percent from 2008 to 2013.

After an estimated 8.4 percent decline in revenue in 2009 to US182 billion from US$199 billion in 2008, the EMS industry is anticipated to go back to US$199 billion in 2010. Its compounded annual growth rate (CAGR) of 7.8 percent from 2008 to 2013 is higher than the electronics assembly market's CAGR of 5.1 percent. Asia with a 50 percent share in 2008 will go up to 54 percent in 2013 with the US and Europe losing 2 and 1 percentage points respectively. By 2013, China will have 61 percent of Asia's share and 34 percent of global EMS output. Although India's EMS output is only 2.4 percent of China's, it is emerging to be a globally competitive alternative.

Global EMS segments that have higher than the EMS industry's CAGR in 2008 to 2013 include medical (11.5 percent), consumer (9.5 percent) and computing (8.1 percent). The rest are within 6 to 7 percent CAGR. The segments with the highest estimated net profit margin are medical (0.60 percent), defense and other transportation (0.30 percent), and industrial (0.28 percent).

IMI remains positive over the vast opportunities for growth in sustainable and progressive niches over the medium term due to the following: first, IMI's track record, global footprint, and robust financial position; second, the impending industry's rebound; third, the assurance that electronics is

[18] ETP Electronic Trend Publications 2009, 6th Edition

a key element of the economy of the future; and lastly, the sizable untapped market for EMS.

As EMS providers refocus on sustainable markets, IMI should gravitate toward high-growth, high-margin and low-to-medium volume product niches. Penetrating segments that have consistency and growth would enable IMI to display the same qualities in its top and bottom line figures.

BUSINESS OPERATIONS

History and Nature of Business

Ayala Corporation (AC) and Resins Inc. established IMI in August 1980 as an electronics manufacturing company engaged in the assembly of integrated circuits. In 1982, IMI took on contract manufacturing with its hard disk drive sub-assembly operations. In 1992, IMI began its complete product assembly operations and obtained its first International Standards (ISO) certification.

In 1998, IMI started offering design and product development services, transitioning the Company to a total EMS provider. IMI is an EMS-provider and is not positioned as an original design manufacturer. Ultimately, the designs that IMI produces will be owned by its customer. Being an EMS, IMI does not publicly announce new products or services for its customers. IMI obtained in 2001 the Philippine Quality Award level III recognition for mastery in quality management.

IMI established in 2005 its global manufacturing footprint. It acquired the EMS assets of Saturn Electronics and Engineering Inc. in the United States. It merged with Speedy-Tech Electronics Ltd. of Singapore, thus establishing manufacturing capabilities in Singapore and in China (two facilities in Shenzhen and one in Jiaxing).

In 2006, IMI was recognized in Circuits Assembly's Service Excellence Awards, specifically for Manufacturing Quality and Dependability/ Timely Delivery for medium-sized EMS company category. Also in 2006, IMI started its fourth facility in China and became one of the top 50 EMS companies in the world. In 2007, IMI started its fifth facility in China and converted its sales office in Japan into IMI Japan Inc. Further, IMI received Circuits Assembly's 2007 Service Excellence Award for Highest Overall Customer Ranking for medium-sized EMS company category. The ASEAN Business Advisory Council recognized IMI as one of the 12 most admired companies in Southeast Asia.

With more than 25 years of experience in the industry, IMI is today a widely recognized expert in providing comprehensive manufacturing services and higher-value solutions for its customers and has become a vertically-integrated EMS provider to leading global OEMs in the computing, communications, consumer, automotive, industrial, and medical electronics markets.

EMS Capabilities

- Product Design Services
- Advanced Manufacturing Engineering
  - Process Development
  - New Product Introduction
- Value Engineering
- Pre-Certification Testing
- Test and System Development

- Complete Box Build
- Sub-Assembly
- Component Assembly
- Enclosure Systems Manufacturing
- PCB & FPCB Assembly

- Quality and Test Solutions
- Supply Chain Solutions
- Logistics Support
- Order Fulfillment
- Post-Manufacturing Services

IMI invests considerably in Design and Engineering resources to continuously improve the following capabilities:

- Product Design Services – hardware design, software development, embedded systems development, enclosure design, printed circuit board layout
- Process Development proven in short-range wireless systems, embedded systems, sensors and imaging technology
- New Product Introduction
- Other Engineering Services such as Design for Manufacturability, Reliability Test and Failure Analysis, Calibration, Test Development Services and Value Engineering

With systems, equipment and manpower in place to assure the quickest turnaround time possible, customers are guaranteed timely arrival in the market of their products at reasonable costs. The Company's manufacturing services are as follows:

- Sub-Assembly
- Box Build
- Automated SMT and through-hole PCB manufacturing
- Flip Chip on Flex / Flip Chip on Board
- Chip on Board
- Chip on Flex
- Warranty and repair

IMI's global Design and Engineering team is well positioned to support the various customer requirements for customized functional testers and automated optical inspection systems, among others. In recent years, the Value Engineering team conducted thirty (30) significant studies to capture new strategic customers and value analysis for major customers.

IMI has an intellectual property portfolio accumulated through its various design and engineering activities. Its Tustin, California facility which is its main competency center for Advanced Manufacturing Technology is responsible for the following US patents[19]: (1) Traceless Flip Chip assembly and method[20], (2) Anisotropic Bonding System and Method Using Dynamic Feedback[21] and (3) Manufacturing Method for Attaching Components to a Substrate[22]. Activities in Singapore, its competency center for Power Electronics, resulted in the issuance of a patent for Passive Circuitry for Harmonic Current Regulation in a Power Supply by Energy Efficient Input Current Shaping[23]. Filipino IMI engineers have a provisional patent filing with the US Patent and Trademark Office for a System for Measuring Both Camera Distortion and Modulation Transfer Function Using a Single Test Chart. Out of Singapore, a new PCT application for the Self-coupled Driver Used in Dual-Switch Forward Power Converter was filed with the Intellectual Property Office of Singapore last February 2007.

Fundamental to IMI's performance excellence is the integration of a Total Quality Management system in its business processes. IMI has various international standard certifications for its Philippine sites – ISO 9001 Quality Management Systems; ISO 14001 Environmental Management Systems; OHSAS 18001 Occupational Health and Safety Assessment Series; ISO/TS 16949 Quality Management Systems for Automotive production; ISO 13485 Quality Management Systems for medical devices; and a newly acquired accreditation for the General Competence of its Calibration Laboratory, ISO 17025:2005 version.

IMI continues to gain recognition from its business partners, among them:

- A major customer, one of the largest personal computer manufacturers, cited IMI as the best subcontractor in the first two quarters of 2008.

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[19] From the USPTO database as of 30 June 2009

[20] Traceless Flip Chip - a method for forming a fine-pitch flip chip assembly interconnects fine pitch devices after they have been connected to a carrier substrate

[21] Anisotropic Bonding System and Method Using Dynamic Feedback - improved the anisotropic bonding system and method connects two conductive surfaces together using an anisotropic material having elastic conductive particles dispersed in an insulating heat-curable carrier

[22] Manufacturing Method for Attaching Components to a Substrate - a method for manufacturing a chip assembly includes the steps of applying a controlled amount of flux to plurality of solder balls on a die, applying a non-fluxing underfill material to a substrate, and assembling the die and substrate together to form the chip assembly such that the non-fluxing underfill material is trapped between the die and the substrate

[23] Passive Circuitry for Harmonic Current Regulation in a Power Supply by Energy Efficient Input Current Shaping - a passive component circuit comprising a bridge rectifier and is coupled in parallel to three capacitors

- A Swedish security locks company ranked IMI as number one (1) among its top three suppliers.

- China's largest networking and telecommunications company granted IMI the "Core Supplier Silver Award" for excellent product quality and competitive pricing.

- Another China facility garnered a Green Partner Award from a leading Japanese OEM customer for successfully passing its audit.

The main Philippine site received a safety award in 2008 from the Bureau of Work Conditions of the Department of Labor and Employment for having achieved a safety milestone of 31,850,528 man-hours without losing time accident in the previous year.

Upon its incorporation in 1980, IMI registered its operations with the Board of Investment (BOI). As such, IMI is qualified for fiscal and non-fiscal incentives provided by Executive Order 226 as amended.

In 1994, IMI relocated its manufacturing operations in the Laguna Technopark Special Economic Zone in Biñan, Laguna. Upon its transfer, IMI sought registration with Export Processing Zone Authority (EPZA now known as PEZA). On 12 September 1994, through Board Resolution No. 94-177, EPZA approved IMI's application for registration. At that time, IMI's registered activities were the manufacture of thin film heads and gimbal assembly for hard disk drives. Through the years, IMI increased its operations at the Laguna Technopark facilities and registered more projects and activities with PEZA, all related to the production and manufacture of any and all types of electronic products, and associated services.

These registrations, entitle IMI to certain incentives, which include but are not limited to a four-year income tax holiday (ITH) and an option to apply for ITH extension for a maximum of three (3) years subject to various PEZA requirements wherein projects and activities are qualified and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH on these projects and activities, the Company will be subject to a five percent (5%) final tax on gross income earned after certain allowable deductions provided under the Republic Act (R.A.) No. 7916 (otherwise known as the "Special Economic Zone Act of 1995") in lieu of payment of national and local taxes.

Tax Rates/Incentives Applicable To/Enjoyed By Integrated Micro-Electronics, Inc. and Subsidiaries

Country/Location	Rate	Tax Base/Description
IMI / Laguna, Philippines (as Parent)	0%-5%	Tax incentive; based on gross income

Country/Location	Rate	Tax Base/Description
IMI-USA / Tustin, California	0%-40%	Corporate income tax based on net income
IMI-Japan / Tokyo, Japan	26%-36%	Income tax based on net income
IMI International (Singapore) Pte. Ltd. / Singapore	17%	Based on chargeable income/net income. Chargeable income refers to income to be taxed at the prevailing corporate tax rate.
Speedy-Tech Electronics Ltd. / Singapore	17%	
Speedy-Tech Technologies Pte. Ltd. / Singapore	17%	
Speedy-Tech Electronics (HK) Limited / Hongkong	16.5%	Based on net income
Speedy-Tech (Philippines), Inc. / Cavite, Philippines	0%-5%	Tax incentive; based on gross income
Shenzhen Speedy-tech Electronics Co., Ltd. / Shenzhen, China	20%	Based on the assessable income
Speedy-Tech Electronics (Jiaxing) Co., Ltd. / Jiaxing, China	25%	Based on the assessable income
Speedy-Tech Electronics (Chong Qing) Co., Ltd. / Chong Qing, China	0%	Tax incentive

Note: The tax rates/incentives shown on the above table are in force and effect as of the date of this Prospectus.

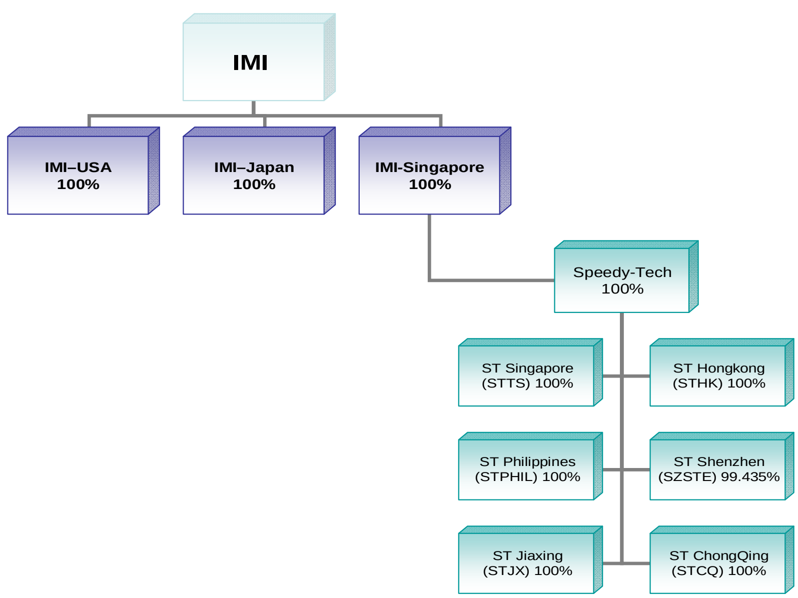
The Company's legal counsel has issued a certification/opinion that all applicable permits and licenses of IMI, including but not limited to those from the Office of the Mayor of the Municipality of Biñan, Laguna, Bureau of Internal Revenue, Philippine Economic Zone Authority, Laguna Lake Development Authority, Department of Environment and Natural Resources, and Board of Investments, are valid and subsisting.

Subsidiaries

The following are subsidiaries of IMI, none of which is listed in any stock exchanges:

IMI Subsidiaries	% of Ownership	Place of Incorporation
1. IMI USA, Inc.	100.00	USA
2. IMI Japan, Inc.	100.00	Japan
3. IMI International (Singapore) Pte. Ltd.	100.00	Singapore
Speedy-Tech Electronics Ltd. and Subsidiaries ("STEL and Subsidiaries')	100.00	Singapore
Speedy-Tech Technologies Pte. Ltd.	100.00	Singapore
Speedy-Tech Electronics (HK) Limited	100.00	Hong Kong
Speedy-Tech (Philippines), Inc.	100.00	Philippines
Shenzhen Speedy-Tech Electronics Co., Ltd.	99.435	China
Speedy-Tech Electronics, Inc. (Dormant)	100.00	USA
Speedy-Tech Electronics (Jiaxing) Co., Ltd.	100.00	China
Speedy-Tech Electronics (Chong Qing) Co. Ltd.	100.00	China

Corporate Structure



IMI USA

IMI USA is located in Tustin, California as direct support to IMI's customers. It provides Program Management, Customer Service, Engineering Development and prototype manufacturing services to both North American and European customers, especially for processes using direct die attach to various electronics substrates. Founded in 1987 as Smartflex Systems, Inc., it was acquired by Saturn Electronics & Engineering in 1999. In 2005, IMI acquired Saturn's assets in Tustin along with its Cebu, Philippines and Singapore facilities.

Experience and capabilities of IMI USA include the following: Prototype and Engineering Development; Advanced Manufacturing Engineering; Direct Die Attach (die attach/wire bond or Flip Chip attach); Transfer High Volume Production Off-Shore, NPI Management.

As to precision assembly, IMI USA is involved with substrates:

- Flex Circuits, PCBs, Ceramics
- High Component Density
- Small SMD and fine pitch
- 0201 and larger
- MicroBGA; CSP packages; TQFP; TSOIP
- Direct Die Attach
- Chip-On-Flex
- Flip Chip on Flex
- Integrate Flex for complete substrate interconnect solution
- Very Precise Component Placement

The Advanced Manufacturing Engineering (AME) Solutions Team is designated to research and arrive at new manufacturing capabilities. The AME team not only finds new processes but also develops IMI's own. The AME capabilities are as follows:

- Immersion Silver Process – the surface finish called immersion silver, which is compatible with SMT, Flip Chip and Aluminum Wire Bond
- Pre-Flow Underfill Process – an IMI patented process for Flip Chip that eliminates half of its predecessors' Flip Chip process requirements (i.e. floor space, throughput)
- Thermally Enhanced Flip Chip Technology – for high power Flip Chip applications since the generic Flip Chip is a poor thermal conductor
- Flip Chip on Flex Assembly – the Company is pioneer and industry leader on Flip Chip to organic substrates
- Substrate and Interconnect Technology – IMI's expertise in the selection and design of various types of substrates (i.e. FR4, ceramic, DBC, flex)
- Other small precision assemblies that combine SMT, wire bond, anisotropic conductive film (ACF) and Flip Chip as required to achieve the smallest form factor or the most precise component placement

- Advanced, next generation of manufacturing equipment and processes that will be required by our customers on a 3 to 5 year horizon

IMI's New Product Introduction (NPI) team offers rapid prototyping, process development and tool design locally, thus saving customers' valuable lead time. International suppliers are sourced through the global sourcing team, thereby ensuring the highest quality at reasonable cost. As soon as the product is prepared and all its processes and requirements are ready for mass production, these are smoothly and efficiently integrated into offshore (i.e., in the Philippines and/or China) manufacturing lines, allowing business partners to utilize the Company's economies of scale. IMI works collaboratively with customers in all phases, from design concept to mass production.

Recent Advanced Manufacturing Engineering (AME) activities in IMI USA include the Multi Purpose Camera (MPC) imager flex process, the ZigBee™ shrink project which reduces the size of the wireless module through utilization of advanced assembly methods, the ceramic power hybrid module and the IMI USA patented process Traceless Flip Chip. Approval from a major automotive customer has just been obtained for its camera project.

IMI Japan

On 22 February 2007, IMI Japan was incorporated and has its head office at 3-7, 2-chome, Kanda-Ogawamachi, Chiyoda-ku, Tokyo, Japan. The upgrade of the Company's former Tokyo sales office to a wholly-owned subsidiary has the potential to build stronger relationships with OEMs based in Japan and provide a front-end design and product development center. Historically, Japanese customers are the main source of revenue for IMI, accounting for almost 50 percent of total revenues. Some of these Japanese customers have been doing business with the Company for more than 10 years already under manufacturing agreements. IMI Japan operates the following businesses:

(1) Sales and marketing of any and all types of electronic products;

(2) Specialized technical and professional services such as (but not limited to) engineering and design services, and the formulation of customized solutions; and

(3) Any and all operations incidental upon or relating to the foregoing items.

IMI Japan also functions as central program management for new business in coordination with the Design and Engineering Team (wireless), STEL and subsidiaries (power supply) and IMI USA (flip chip). IMI Japan secures programs/projects from Japanese customers and endorses these to the Company or IMI Singapore.

IMI International (Singapore) Pte. Ltd.

IMI International (Singapore) Pte. Ltd. is a private company limited by shares incorporated on 22 February 2005 in accordance with the Companies Act of Singapore. IMI Singapore has a wholly-owned consolidated subsidiary incorporated and domiciled in Singapore, Speedy-Tech Electronics Ltd. (STEL). The liability of the members of IMI International (Singapore) Pte. Ltd. is limited. IMI Singapore is engaged in the procurement of raw materials, supplies and provision of customer services.

Speedy Tech Electronics Ltd. (STEL)

STEL, a wholly-owned subsidiary of IMI Singapore, is an EMS and power electronics expert also domiciled in Singapore. STEL has a global customer base across a variety of industries. Through its manufacturing facilities in China, STEL is able to provide cost-competitive design and manufacturing solutions to OEMs.

Soon after its establishment in 1985, STEL set up a production facility in the People's Republic of China, marking the beginning of its rapid expansion. STEL gains a competitive edge in both developing business relations with clients and sourcing alliances with key suppliers. STEL reaped numerous industry certifications and awards, establishing its reputation among peers in the global electronics industry.

STEL undertakes the following service solutions: design, development, and manufacturing of power electronics products based on customer requirements. Its production facilities also allow it to contract manufacture PCBA and box build products for OEM customers. Its R&D centers in Singapore and Shenzhen, China provide multiple sites for design and ODM services. STEL's unique value proposition is its integrated test facility, most notable of which is the 10m semi-anechoic chamber used for Electromagnetic Compatibility (EMC) tests.

In 1997, the Singapore Economic Development Board awarded STEL the Innovation Development Scheme for the development of ultra-compact power supply products. Later in 2002, STEL obtained a US patent for Passive Circuitry for Harmonic Current Regulation in a Power Supply by Energy Efficient Input Current Shaping.

Amidst a rapidly changing market and tough global competition, STEL's focus on quality, responsiveness, reliable on time delivery, competitive pricing, corporate integrity, and responsibility to the environment has reinforced its leadership in the electronics market.

STEL Capabilities, Products and Applications

- ODM Capabilities
- Product Reliability and Test Capabilities

- Power Electronics Products
- Power Electronics Application

ODM Capabilities

- AC to DC – SMPS from 0.5 to 1KW
  - open frame, metal, and plastic enclosures
  - multiple o/p
- DC to DC – Full/Half/Quarter Brick
- Intelligent Charger – 1-40 Amps, all kinds of batteries
  - Fully encapsulated
  - MCU controller
- Power and Controller Integration

Product Reliability and Test Capabilities

- In-house EMC test capability for EN50081/82 including CISPR14 & CISPR22 requirements (FCC-listed 10 m semi-anechoic chamber and shielded room for radiated emission)
- In-house reliability and environment test capability (HALT/HASS chamber, climatic chamber, infrared thermal imager)
- Integrated function test
- Experience in handling requirements of various safety agencies including UL, CUL, VDE, and CSA
- Strict control procedure for R&D processes

Power Electronics Product

- Desktop Power Supply
- Open-Frame Power Supply
  - Communication power supply
  - LCD TV power supply
  - DVD amplifier power supply
  - Set-top box power supply
  - Fax machine power supply
- Lead-Acid Battery Picture
- MCU Application Controller
  - Refrigerator VF compressor controller
  - Medical lifter machine controller
- Industrial controls and automation
- Automotive tracing and control

Power Electronics Application

- IT
- Consumer Electronics
- Industrial Electronics
- Telecommunications
- Banking Systems
- Marine Devices
- Medical Electronics

Location and Properties

IMI has proved that a Filipino-owned company can go global. It has transformed its local operations into a global network that includes a subsidiary (Speedy-Tech Electronics Ltd.) with manufacturing plants and design centers in China and Singapore, a prototyping and NPI center in the United States and a design team based in Japan.

IMI has production facilities in the Philippines (Laguna and Cavite), China (Shenzhen, Jiaxing, and Chongqing), and Singapore. It also has a prototyping and NPI facility located in Tustin, California. Engineering and design centers, on the other hand, are located in the Philippines, Singapore, China, United States, and Japan. IMI's logistics bases are located in Asia, including China, Singapore, Hong Kong, and Philippines. Also, IMI's global network of sales agents and representatives are managed by its sales offices in Germany, United States, Japan, Philippines, Singapore and China.

IMI's locations and the capabilities of each are set out below:

Manufacturing Locations

LOCATIONS	CAPABILITIES
Philippines	Sub-assembly, box build, SMT & through-hole PCB assembly, Flip chip-on-flex/Flip chip-on-board, chip-on-flex/Chip-on-board, warranty and repair, test, materials procurement, plastics, metals, clean room, RoHS lines
China	Sub-assembly, box build, SMT & through-hole PCB assembly, warranty and repair, test, materials procurement, clean room, RoHS lines
Singapore	High mix-low volume – sub-assembly, box build, through-hole PCB assembly, warranty and repair, materials procurement, RoHS lines
United States	Prototyping, low to medium PCBA and sub-assembly

Engineering Support/R&D Locations

LOCATIONS	CAPABILITIES
Philippines	Product design, ODM, Design for Manufacturability (DFM), reliability test and failure analysis, calibration, NPI, test development services
China	ODM for power electronics, reliability test and failure analysis, NPI
Singapore	ODM for power electronics, power supply testing, electromagnetic Compatibility/Electromagnetic Immunity, reliability test and failure analysis, NPI
United States	Engineering, DFM, advanced manufacturing process development, NPI, direct chip attach, small precision assemblies
Japan	Embedded systems
Europe	Automatic meter readers, automotive electronics

IMI does not own land. As a result, it leases the land on which its manufacturing plants, office buildings and sales offices are located.

The head office and main plant of the Company are located at North Science Avenue, Laguna Technopark, Biñan, Laguna, 4024 Philippines. The premises are leased from Technopark Land, Inc. On December 23, 2008, IMI renewed the lease for 3 years, to expire on December 31, 2011 and renewable at the option of the parties for such number of years agreed upon by them. The Company is liable to pay a monthly rent specified in the lease contract, exclusive of value added tax, which increases over the years. In the event of sale, transfer or disposition of the leased premises, the lessor shall ensure that the lease will be honored by the buyer.

The Company's subsidiaries, except for IMI-USA, IMI-Japan and Speedy-Tech Electronics (HK) Limited in Hong Kong, lease the land on which their respective manufacturing and office buildings are located.

The Philippine Economic Zone Authority leases land to an IMI subsidiary [Speedy-Tech (Philippines), Inc.] in Cavite, Philippines for 50 years, to expire in August 15, 2046 and renewable at the option of the parties for another 25 years. Beginning August 1, 2008, IMI-USA renewed its contract with the Harris family for the lease of office, engineering support or R&D building in 14312 Franklin, Tustin, California for 7 years and 3 months, to expire on November 5, 2015. Upon the expiration of the lease, it is renewable for such number of years agreed upon by the parties.

IMI-Japan has a 5-year lease contract for the use of the 6th and 7th floors of Kaneshichi Bldg., 2-3-7 Kanda-Ogawamachi, Chiyoda-ku, Tokyo, 01-0052 Japan, as its sales office, design and ODM. The lease will expire on February 2011, but is renewable for such number of years agreed upon by the parties under the same terms and conditions except for the monthly rental which will be based on the existing market rate at the time of the renewal.

IMI-Singapore leases land under a lease contract with JTC Corporation for 30 years which expired on January 1, 2000. The lease was renewed for another 20 years which will expire by January 1, 2020 subject to another renewal upon request by the lessee. The Company's subsidiary in Hong Kong is leasing an office space from CDW Building Limited for 3 years, to expire on March 31, 2011 and renewable subject to negotiation and agreement by the parties of the new terms and conditions of the lease.

The Company's subsidiary in China-Jiaxing leases land under a lease contract with The Economic Development Bureau of Jiaxing Economic Development Zone for 3 years, to expire on December 31, 2011 and renewable for another 3 years. The Company's subsidiary located in

China-Chongqing has a lease contract for the lease of land with Chongqing Gaoke Group Ltd. for 3 years which will expire on March 1, 2011, renewable for another 2 years upon the expiration of the lease.

The Company's subsidiary in China-Liantang has an existing land lease contract with the Local Government of Liantang for 50 years which will expire on December 31, 2041 and renewable subject to local government's regulations. The lease contract of the Company's subsidiary in China-Kiuchong will expire on February 28, 2013 and renewable upon expiration of the lease at the request of the lessee. The subsidiary of the Company in China-Fuyong has an existing lease contract which will expire on April 30, 2012 and renewable upon request by the lessee for such terms and conditions agreed upon by the parties.

Under the terms of the land lease, the Company or its respective subsidiaries owns the manufacturing or office buildings themselves, including leasehold improvements, machinery and equipment, furniture and fixtures, which appear as assets in the balance sheet of the Company or its subsidiaries. In the case of the Company subsidiaries, however, permanent improvements shall become the property of the lessors upon expiration of the lease with the exception of permanent improvements which may be removed without damage to the premises, including machinery and equipment.

The Company's global facilities as of September 30, 2009 are shown below:

Location	Floor Area (in square meters)	Description
Philippines-Laguna	96,183	Factory of PCBA, FPCA, FC, COF, Box-build, sub-assemblies, plastics, metals, among others.
Philippines-Alabang*	957	Failure analysis engineering facility
Philippines-Cavite	2,400	Manufacturing plant for power supplies, PCBA, electrical discharge machines, power electronics and box-build; facility for marketing, procurement of raw materials, research and development
Singapore	8,800	
China-Liantang	18,600	
China-Fuyong	12,000	
China-Kiuchong	18,800	
China-Jiaxing	13,300	
China-Chongqing	2,200	
Hong Kong*	300	Procurement, marketing and supply chain facility
Japan*	68	Facility for design and ODM
USA-Tustin, CA*	1,584	Manufacturing facility for prototyping, low to medium PCBA and sub-assembly, among others, as well as engineering support and R&D facility
Total	175,192	

* *Lease of procurement, marketing, design or R&D office space or building only; the building is owned by the lessor.*

The annual rental of the Company and its subsidiaries for the lease of land and procurement, marketing, design or R&D office space or building in all locations shown in the table above is approximately US$2,136,178.

The Company and its subsidiaries own 40 SMT lines composed of SMT manufacturing machinery and equipment in its Philippine operations and 13 SMT lines for China operations. SMT line refers to a production line constructing electronics circuits where components are mounted directly onto the surface of printed circuit boards (PCBs).

IMI does not intend to acquire any material real estate property in the next 12 months.

Intellectual Property

The table below summarizes the intellectual properties registered with the United States Patent and Trademark Office out of the Company's California and Singapore facilities, competency centers for Advanced Manufacturing Technology:

Name	Filing Date	Expiration
Anisotropic Bonding System and Method Using Dynamic Feedback	27 November 2000	26 November 2020
Traceless Flip Chip assembly and method	26 February 2001	25 February 2021
Manufacturing Method for Attaching Components to a Substrate	05 March 2001	04 March 2021
Passive circuitry for harmonic current regulation in a power supply by energy efficient input current shaping	16 September 2001	17 September 2020

Operations

Design and Engineering Services

Partnering with IMI allows a complete and successful product development. This is made possible by the Company's capability to design and develop complete products and subsystems, analyze product design and materials for costs reduction through value and profit engineering, and develop solutions for cost-effective production and fast time-to-market while safeguarding intellectual property. IMI's product development and engineering service offerings include Custom Design Manufacturing (CDM) Solutions, Advanced Manufacturing Technology (AMT) Services, Engineering and Test Development, and Reliability/Failure Analysis and Calibration Quality Test solutions.

Manufacturing Solutions

IMI's comprehensive manufacturing experience allows a prospective client to leverage its strength in RoHS-compliant and cleanroom manufacturing process, complex manufacturing using consigned equipment and materials, complete turnkey manufacturing with multiple materials sourcing sites, ERP-based planning, purchasing, and manufacturing process, and strategic partnerships with leading materials distributors and manufacturers. IMI has the essential infrastructure equipment, manpower and quality systems to assure quick start of operations and turnaround time. These include: materials management, PCBA and FCPA Assembly, Automated Through-Hole Assembly, Complete Box build Solutions, Sub Assembly services, Component Assembly and Manufacture of Enclosure Systems.

Business Models

IMI recognizes the uniqueness of each customer's requirements. To satisfy specific requests, IMI offers flexible business models that allow it to build the perfect assembly for its client's manufacturing requirements.

The “Standard” and “Semi-custom” business models pertain to IMI’s Printed Circuit Board Assembly (PCBA) processes. IMI invests in Surface Mount Technology (SMT) lines which support multiple customer requirements. Back-end and box build processes are also set-up depending on customer requirements.

The “Custom” Business Model gives the client a free hand in designing the systems by offering a dedicated facility manned by an independent and exclusive organization that will build the system from ground up. With quality structures and operational procedures compatible with the client’s systems, IMI’s line serves as the client’s extension plant, assuring that all the parts and processes are customized to the client’s particular needs.

Capabilities and Solutions

IMI’s capabilities allow it to take on the specific outsourcing needs of its customers, providing them with flexible solutions that encompass design, manufacturing, and order fulfilment.

It develops platforms to customize solutions in response to its customers’ unique requirements. Its platforms in areas like short-range wireless systems, embedded systems, and sensors and imaging technology represent capabilities to manufacture products.

New manufacturing capabilities are developed by IMI’s Advanced Manufacturing Engineering (AME) group. Its expertise includes immersion silver process, pre-flow underfill process, thermally enhanced flip chip technology, traceless flip chip technology, and flip chip on flex assembly, among others.

IMI has a complete range of manufacturing solutions – from printed circuit board assembly to complete box build.

Through its flexible, efficient, and cost–effective end-to-end EMS solutions, IMI gives OEMs the luxury of focusing on their core competencies of technology R&D and brand marketing.

Logistics

IMI’s mission is to offer strategic and competitive Supply Chain Management for complete order fulfillment of its Customers. IMI’s turnkey capabilities involve major commodities for direct/indirect materials: passive/active components, existing vendor base for over 10,000 line items, and Global sourcing in Asia, US and Europe of over 270 supply base.

The Company’s ten largest principal suppliers of raw materials, particularly passive/active components, among others, for the six-month period ended June 30, 2009 are the following:

1) AUSTRIA MICROSYSTEMS AG
2) ANALOG DEVICES BV
3) EPSON IMAGING DEVICES (PHILS) INC.
4) AVNET ASIA PTE LTD
5) LIANG DAR TECHNOLOGY CO LTD
6) ARROW ELECTRONICS CHINA LTD
7) ADVANCED SILICON
8) NXP SEMICONDUCTORS HONGKONG LIMITED
9) WAVECOM ASIA PACIFIC LIMITED
10) FE GLOBAL ELECTRONICS PTE LTD

IMI is not or is not expected to be dependent upon one supplier for raw materials or other items. The above ten principal suppliers and the largest of them accounted for approximately 42.7% and 8.2%, respectively, of the total raw materials purchases of the Company for the six-month period ended June 30, 2009. In the case of energy/electricity, however, the exclusive supplier of the Company is Meralco.

IMI's warehousing capabilities include housing all direct and indirect materials, outsourcing to a third party logistics provider, satellite warehouses in other IMI plants and under the mySAP™ ERP System.

IMI also has Vendor Partnership Programs on vendor qualification, certification and development. With regard to inbound and outbound logistics, IMI's partners are the following entities: Yusen, Nippon, Nissin, Ufreight, Kintetsu, FedEx, Airlift Asia, Expeditors, and GeoLogistics for IMI's freight forwarding. The major lines inbound are Singapore, Japan, Hongkong, Taiwan, Malaysia, Thailand, and the US. Major lines outbound are US, Japan, Singapore and France.

Product Capabilities

IMI has experience in working with some of the world's leading companies in the following products:

Storage Devices	• Magnetic Disk Drive (HDD, HGA, HSA) • Suspension for HDD slider • Voice Coil Motor • Optical Disk Drive Assembly (CD-ROM/R/RW, DVD-ROM, COMBO Drive) • Optical Pick Up Assembly
Computer Peripherals	• Computer Keyboard Connector and FPCBA • Computer Printer FPCBA • Computer Telephony Interface/Network Telephony • Software Security Device COB-PCBA

Telecommunications	• GPS Applications • Bluetooth modules and adaptors • Optical transceiver • Cellular Phone PCBA and COB
Automotive Electronics	• Bobbin Transformer • Car Antenna • Power Isolation Unit SIP & DIP • Signal Conditioning Devices
Semiconductors	• Ethernet Connector • Saw Filter • TCXO • Hybrid IC • Coils • Hail Element • LED/LED Display • Inspection of Advanced IC Packages • Small signal transistors and 3-pin IC
Consumer Electronics	• Aircon Damper PCBA • Digital Still Camera • Camera FPCBA • Handy Video Camera FPCBA • CCD Module/PCBA, Hands-Free Car Kit • Electronic Whiteboard Pen • Electronic Ballast • Battery charger • Massager
Industrial Electronics	• Proximity Cards/ COB Readers • Power Module PCBA • Uninterrupted Power Supply PCBA • Construction/Agricultural Instrument PCBA • Counter PCBA • Ignition Circuit PCBA and Final Assembly • Ignition Coil • Input/Output Board PCBA

With regard to emerging product capabilities, IMI is pursuing OEMs in the optical and RF telecommunications.

Financial Performance

IMI posted in 2008 US$441.1 million in revenues, a 4.5 percent growth from 2007 in spite of a very challenging business scenario. This revenue growth was sustained mainly through IMI's core strengths in IT storage devices, telecommunications, automotive and consumer electronics. IMI is also into the manufacture of next-generation optical disk drives (Blu-Ray), expecting to increase its volume once the drives have established a presence in the market.

Revenue contribution by business segment for the last three (3) years is as follows:

	2008	2007	2006
Computer peripherals	24%	34%	42%
Telecom	22%	15%	13%
Consumer	20%	20%	18%
Industrial	18%	18%	17%
Automotive	9%	9%	7%
Medical	5%	3%	2%
Plastic/Metal/Others	2%	1%	1%

Percentage of Sales contribution based on where the headquarters of the customers are located for each of the last three (3) years is as follows:

	2008	2007	2006
Japan	40%	49%	74%
Europe	23%	17%	13%
USA/North America	23%	21%	12%
Asia/Others	14%	13%	1%

The Company's stable balance sheet as of 31 December 2008 ensured that it has the necessary resources to withstand the effects of the global financial crisis and continue implementing its expansion program. IMI ended 2008 with a hefty cash balance of US$57.6 million and a conservative debt equity ratio of 0.45.

Human Resources

The Company currently employs 13,210 people, with 693 contractual hires. The status of these workers are project-based, as the need for their services is only limited to the project requiring their skills and capabilities. These employees are confirmed permanent to their position should their services, skills and capabilities be deemed necessary to continue after their project-based status expires.

The relationship between management and employees has always been of solidarity and collaboration from the beginning of its operations up to the present. The rank and file employees and the supervisory employees of the Company are not unionized. Hence, there is no existing Collective Bargaining Agreement (CBA) between the Company and its employees. The Company's total manpower complement, as of the date of this prospectus, is presented in the following table:

Job Groups	Total	Philippines	China/ Singapore	USA	Japan	Europe
Managers	**268**	125	133	4	3	3
Supervisors	**1,013**	448	556	6	1	2
Rank-and-File	**2,009**	747	1,260	2	-	-
Technicians	**442**	381	61	-	-	-
Operators	**9,478**	5,587	3,891	-	-	-
TOTAL	**13,210**	7,288	5,901	12	4	5

At present, the Company does not intend or anticipate hiring any number of employees within the ensuing twelve (12) months because the current workforce can still cope up with the volume of expected customer orders within that period.

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

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

Customers

IMI serves customers in Japan, North America, Europe and the rest of Asia in the storage device, telecommunications, consumer, industrial, automotive, medical electronics segments.

In 2008 ten new customer programs from North America, Europe and Asia have been acquired. These new programs include various PCBA assemblies and box builds for: electricity meter, e-book/paper, cooker hood and oven, fire alarm detection device, hearing aid and wind generator controller; power supplies for DVD recorder; inverters for industrial motor control; multipurpose camera for automotive applications; and automated meter reading system. These new customers and projects are being seriously pursued to increase profits in 2009 and beyond.

IMI is not dependent upon any single customer because not one customer accounts for, or based upon existing orders will account for, twenty percent (20%) or more of its sales. Its largest customer accounted for only 19%, 17% and 10% of the Company's total sales for the calendar years ended December 31, 2007, 2008 and for the six-month period ended June 30, 2009, respectively. However, sales to IMI's ten largest customers accounted for 50%, 51% and 55% of total sales for the calendar years ended December 31, 2007, 2008 and for the six-month period ended June 30, 2009, respectively.

Strategic Partnerships

Building a competitive advantage in the global economy requires that certain strategic business alliances that enhance one's competencies be forged. IMI sealed significant partnerships that have further contributed to its emergent presence in the electronics industry worldwide. IMI has established strategic alliances or partnerships with other world-class companies that complement its competencies in order to enhance its competitiveness. IMI has forged alliances with manufacturing companies in the Philippines, United States, and Europe to explore subcontracting opportunities and to serve as IMI's virtual fast prototyping facilities for these markets.

IMI forged a strategic alliance with Bus Elektronik, an EMS company based in Riesa, Germany to seek jointly subcontracting projects from European OEMs and to utilize BuS Elektronik's facility as fast prototyping and NPI center of IMI in Europe. On the other hand, IMI's alliance with PSi Technologies Holdings, Inc., a power semiconductor assembly and test service provider based in the Philippines, will promote PSi Technologies' power semiconductor assembly and test services to its foreign clients while PSi Technologies markets IMI's EMS and power electronics ODM capabilities to its own customers.

Competition

Industry in which the registrant is selling or expects to sell its products or services, and where applicable, any recognized trends within the industry

IMI is an electronics manufacturing services (EMS) provider to original equipment manufacturers (OEMs) in the computing, communications, consumer, automotive, industrial, and medical electronics segments. The global financial crisis badly hit the electronics industry across the globe. The electronics end-markets generally experienced weak demand as corporate and individual consumers reined in spending. This weak end-market demand coupled with a tight credit situation strained the production of OEMs. Consequently, the EMS industry experienced lower volume requirements from the OEMs. The EMS revenue is expected to increase by 4 percent in 2010. First of all, the end-market electronics demand has generally bottomed out by the end of the second quarter of 2009. Second, there is no question that the economy of the future will be driven by electronics. Third, OEMs still do in-house more than 60 percent of electronics assembly operations.

Part of the industry and the geographic area in which the business competes or will compete

IMI competes worldwide, with focus on Asia (including Japan and China), North America, and Europe.

Principal methods of competition (price, service, warranty or product performance)

There are two methods of competition: a) price competitiveness, b) robustness of total solution (service, price, quality, special capabilities or technology).

Principal competitors that the registrant has or expects to have in its area of competition

IMI competes with EMS companies and original design manufacturers (ODMs) all over the world. Some of its fierce EMS provider competitors include Hon Hai, Flextronics, Kimball, and Hana.

Relative size and financial and market strengths of the registrant's competitors

Hon Hai is a Taiwanese company with annual revenues of US$62 billion; its cost structure is very competitive because it is vertically integrated.

Flextronics is a Singapore-headquartered company with annual revenues of US$33 billion; its cost structure is very competitive as it is vertically integrated.

Kimball is a US company with annual revenues of US$722 million; it is a leading EMS player in the automotive field.

Hana is a Thai company with annual revenues of US$303 million; it has a semiconductor manufacturing arm.

Reason why the registrant believes that it can effectively compete with the other companies in its area of competition

IMI is focused on delivering customized solutions of highest quality at reasonable prices. It collaborates with the customers in finding the right solutions to their problems. IMI even challenges its own systems and processes if needed. It has a distinct advantage in serving customers who value quality over price and require complex non-standard solutions. Living up to the flexible expertise brand, IMI is adaptable to the needs and conditions of its customers. This expertise has propelled IMI onto the current list of the top 50 EMS providers in the world and earned for IMI several accolades from its customers.

MATERIAL CONTRACTS

The following are summaries of the material terms of the principal related to the Company's business and should not be considered to be a full statement of the terms and provisions of such contract. Accordingly, the following summaries are subject to the full text of each contract.

Loan Arrangements

The following is a schedule of our loan obligations as of June 30, 2009:

Creditor	USD Loan	Total
Short Term		
Metropolitan Bank & Trust Co.	US$ 8,000,000	US$ 8,000,000
	Sub-total	8,000,000
Long Term		
Metropolitan Bank & Trust Co.	US$30,000,000	30,000,000
KBC Bank N.V.	20,000,000	20,000,000
	Sub-total	50,000,000
	TOTAL	US$58,000,000

Short Term Loan with Metropolitan Bank & Trust Company:

For the Company's short term loan, a US$20,000,000 promissory note was issued on 10 June 2008 with a maturity on 10 July 2008. The initial rate was 3.375% per annum, payable monthly and subject to monthly re-pricing. The principal was subject to a single payment.

On the 10th July 2008 maturity date of the initial promissory note, IMI issued another promissory note for US$2,000,000, which matured on 11 August 2008. Interest rate per annum, principal settlement and monthly re-pricing terms remained.

On the 11th August 2008 maturity date of the above promissory note, IMI issued another promissory note for US$10,000,000, which matured on 10 September 2008. Interest rate per annum, principal settlement and monthly re-pricing terms remained.

On the 10th September 2008 maturity date of the above-mentioned promissory note, IMI issued another promissory note for US$8,000,000, which matured on 10 November 2008. Interest rate per annum, principal settlement and monthly re-pricing terms remained until the 10 November 2008 maturity date.

Currently, this promissory note is renewed monthly. As of 30 June 2009, interest rates on the US$8,000,000 promissory note for the first six months range from 4.75% to 5.75%. This promissory note is still subject to the same principal settlement and monthly re-pricing terms.

Long Term Loan with Metropolitan Bank & Trust Company:

For the Company's long term loan, a 5-year term loan agreement for the original amount of US$40,000,000 was executed, subject to the Term Loan Agreement dated 27 September 2006. On 04 September 2007, IMI made a partial prepayment of US$10,000,000 with an interest rate of 6.16% per annum. As of 30 June 2009, the balance of this loan is US$30,000,000. The interest rate of the term loan is pegged at the 3 month LIBOR plus 0.80% p.a. spread, or 1.9769% per annum.

Loan Facilities with KBC Bank N.V.:

Syndicated Bridge Loan

On 8th December 2005, IMI obtained an US$80,000,000 Syndicated Bridge Loan Facility from KBC Bank N.V. (KBC), to finance the acquisition of the shares of STEL. The loan is due within one year, with an interest rate of 1.25% per annum plus US$ LIBOR, with one year extension option upon request of the Company.

On 27th September 2006, the BOD approved the payment of the US$80,000,000 Syndicated Bridge Loan which matured on 30 November 2006 as follows:

- On 10th October 2006, IMI made a partial pre-payment of the loan facility in the amount of US$40,000,000, plus interest of $467,911 or 6.58% per annum, from the original amount; and
- On 29th November 2006, IMI made full payment of the loan facility principal of US$40,000,000 plus interest of US$138,609.22, or 6.5667% per annum.

Syndicated Term Loan

On 29th November 2006, a subsidiary of the Company obtained a US$40,000,000, 5-year term loan, subject to the Syndicated Term Loan Agreement. The loan is to be repaid in 10 (ten) equal installments on the "Repayment Dates" (i.e., each date falling 6, 12, 18, 24, 30, 36, 42, 48, 54 and 60 months after the utilization date). The 10 semi-annual installments commenced on May 2007 with an interest rate of 3-month or 6-month LIBOR plus margin of 0.77%. This loan has been approved and authorized by the BOD on 27th September 2006 and is secured by a corporate guarantee by STEL.

As of 30 June 2009, the balance of this loan is US$20,000,000 with interest rate of 3.76325% per annum. The remaining balance of this loan will be repaid until November 2011.

Foreign Currency Hedging Contracts

During the first half of 2008, the Company entered into a structured currency options for economic hedges. The economic turn-around during the second quarter of 2008 lead to a weaker peso which resulted to an unfavorable position on the Company's derivative transactions.

In May 2008, the Board of Directors approved the unwinding of four major derivative contracts, and the Company incurred unwinding cost amounting to US$33.36 million.

As of 30 June 2008, IMI had outstanding leverage accumulating FX with knock-out features in Yen and leverage catapult FX in Euro with a total net mark-to-market loss recognized in the statement of income amounting to US$11,861. The general terms of these contracts are indicated below:

Contract	Trade Date	Maturity Date	Aggregate Notional Amount	Strike Rate	Market Value
USD/JPY Leverage Accumulating FX with Knock Out	Apr. 2, 2008	Aug. 18, 2008	JPY100 ,000,000	JPY103.5/$1	US$18,257 loss
Leverage Catapult FX	Apr. 24, 2008	Aug. 11, 2008	EUR 800,000 *	S1.55/EUR1	US$6,396 gain

* has an equivalent USD notional amount of $1,240,000

For the leverage accumulating FX with knock-out features, if the market position is favorable to IMI (spot is below the strike rate), IMI has the right to purchase the JPY notional amount at the strike rate. However, if the market position is unfavorable to IMI (spot is equal to or above the strike rate), IMI is obliged to purchase the leveraged notional amount of JPY at the strike rate. Leverage factor is twice of the original notional amount. The knock-out event is when the spot rate is being traded at or above the Trigger rate (JPY90/US$1) at any time from and including the trade date up to and including the expiration time on the expiration date. Upon occurrence of the knock out event, all transactions will be considered terminated and there is no further obligation between the Company and the counterparty bank.

For the leverage catapult FX, if the market position is favorable to IMI (spot is below the strike rate), IMI has the right to purchase the EUR notional amount at the strike rate. However, if the market position is unfavorable to IMI (spot is equal to or above the strike rate), IMI is obliged to purchase the leverage EUR notional amount at the strike rate. Leverage factor is twice the original notional amount. If the spot hits or goes below the barrier rate (US$1.66/EUR1) anytime from trade date to expiry date, no further trades will occur. IMI has the right to but not the obligation to buy the Euro (or sell the USD) notional amount at the spot rate.

As of 30 June 2009, no structured derivative contracts are outstanding. The Board Finance Committee monitors any currency transactions together with the Company's Treasury Department and CFO.

LEGAL PROCEEDINGS

Following is a summary of pending cases involving IMI which have been deemed immaterial considering that they are not of such magnitude that would materially affect the business operations of the Company:

	CASE NAME	CASE NO.	COURT/BRANCH	NATURE OF THE CASE
1.	IMI vs. Robert Sacatani	Civil Case No. B-6822	RTC, Br. 25, Biñan	Breach of Contract and AWOL
2.	IMI vs. Gilbert Pusag	Civil Case No. B-6788	RTC, Br. 25, Biñan	Breach of Contract
3.	People of the Phils. vs. Albert Bautista	Crim.Case No. 15944-B	RTC Br. 24, Biñan	Attempted Qualified Theft
4.	People of the Phils. vs. Gilbert Rosales	Crim. Case No. 16944-B	RTC Br. 24, Biñan	Frustrated Qualified Theft
5.	People of the Phils. vs. Ballard, et al.	Crim. Case No. 29282	MTC, Biñan	Attempted Qualified Theft
6.	People of the Phils. vs. Melchor Silvestre, et.al.	Crim. Case No. 16152-B	RTC Br. 25, Biñan	Qualified Theft
7.	People of the Phils. vs. Larry L. Famarin	Crim. Case No. 30313	MTC, Biñan	Attempted Qualified Theft
8.	Cesar Santiago vs. IMI	Civil Case No. B-5899	RTC Br. 24, Biñan	Civil Case
9.	Florence May Tatoy vs. IMI	Case No. RAB-IV-10-25594-07-L	NLRC	Illegal Dismissal with Claim for balance of 13^{th} month pay after Company accountabilities

(Forward)

	CASE NAME	CASE NO.	COURT/BRANCH	NATURE OF THE CASE
10.	Arlyn Gallego vs IMI, et.al.	Case No. RAB IV 07-21084-05-L	NLRC	Illegal Dismissal with Claim for proportionate 13th month pay and accrued leave
11.	Cristina Cilot Palencia vs. IMI	NLRC RAB-IV Case No. 05-26794-08-L	NLRC	Illegal Dismissal
12.	Elvira Belicario vs. IMI	Case No. RAB-IV-09-25508-07-L	NLRC	Illegal Dismissal
13.	Mylen Dacumos vs IMI, et.al.	Case No. RAB IV-04-24606-07-L	NLRC Calamba City	Illegal Dismissal with Claim for Reinstatement
14.	Alberto Donato Bautista vs. IMI	Case No. RAB IV-02-24229-07-L	NLRC	Illegal Dismissal
15.	Adonis Pionilla vs IMI, et.al.	Case No. SRAB IV 02-24229-07-L	NLRC San Pablo City	Illegal Dismissal with Claims for Reinstatement and Backwages
16.	Archipel Palisoc vs IMI & Mayk delos Reyes	Case No. RAB IV-07-21166-05-L	NLRC Calamba City	Illegal Dismissal with Claim for Separation Pay

IMI is not aware of any of the following that has occurred during the past five (5) years:

(1) any bankruptcy petition filed by or against any business of which any of its incumbent directors or executive officers was a general partner or an executive officer either at the time of the bankruptcy or within five years prior to that time;

(2) any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or executive officers;

(3) any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors

or executive officers in any type of business, securities, commodities, or banking activities; and

(4) any finding by a domestic or foreign court of competent jurisdiction in civil action, the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the incumbent directors or executive officers has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

Market Information

The common shares of the Company are currently not listed on the PSE. Consequently, as of date of this Prospectus, there is no public trading market for the shares of the Company in the Philippines.

Holders

As of 30 September 2009, the following are the stockholders of IMI:

		COMMON			PREFERRED			T O T AL		
Stockholder	**Security**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Common)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Preferred)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Total)**
AYC Holdings Inc. (British)	Common	832,342,900	832,342,900	67.68%				832,342,900	832,342,900	32.90%
Ayala Corporation (Filipino)	Preferred				596,043,238	596,043,238	45.85%	596,043,238	596,043,238	23.56%
Asiacom Philippines, Inc. (Filipino)	Preferred				460,000,000	460,000,000	35.38%	460,000,000	460,000,000	18.18%
Resins, Inc. (Filipino)	Common & Preferred	208,110,100	208,110,100	16.92%	219,979,398	219,979,398	16.92%	428,089,498	428,089,498	16.92%
Esown Subscription[1] (Various)	Common	96,847,916	97,272,916	7.91%				97,272,916	97,272,916	3.85%
Poms Investment Pte Ltd. (Singaporean)	Common	49,842,738	49,842,738	4.05%				49,842,738	49,842,738	1.97%
Mitsubishi Corporation (Japanese)	Common & Preferred	10,500,000	10,500,000	0.85%	11,098,843	11,098,843	0.85%	21,598,843	21,598,843	0.85%
SIIX Corp (Japanese)	Common & Preferred	5,721,102	5,721,102	0.47%	6,047,392	6,047,392	0.47%	11,768,494	11,768,494	0.47%
ESOWN Trust Account (Filipino)	Common	11,244,944	11,244,944	0.91%				11,244,944	11,244,944	0.44%
Chng Poh Guan (Singaporean)	Common	2,915,647	2,915,647	0.24%				2,915,647	2,915,647	0.12%
Phua Teo Chye (Singaporean)	Common	2,822,150	2,822,150	0.23%				2,822,150	2,822,150	0.11%
Chow Phui Kheong (Singaporean)	Common	2,751,108	2,751,108	0.22%				2,751,108	2,751,108	0.11%
Kwok Kai Ming (Singaporean)	Common	1,476,661	1,476,661	0.12%				1,476,661	1,476,661	0.06%

(Forward)

[1] This includes ESOWN shares which are indeed outstanding but not yet issued.

		COMMON			PREFERRED			T O T AL		
Stockholder	**Security**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Common)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Preferred)**	**No. of Shares Subscribed**	**Amount Subscribed (₱)**	**% of Ownership (Total)**
Helmut Baumgart (German)	Preferred				1,062,122	1,062,122	0.08%	1,062,122	1,062,122	0.04%
Andrew C. Carreon (Filipino)	Preferred				1,043,400	1,043,400	0.08%	1,043,400	1,043,400	0.04%
Jocelyn E. Tan (Filipino)	Common	900,000	900,000	0.07%				900,000	900,000	0.04%
Meneleo J. Carlos, Jr. (Filipino)	Preferred				855,000	855,000	0.07%	855,000	855,000	0.03%
Michael R. Hansson (Swedish)	Common	690,292	690,292	0.06%				690,292	690,292	0.03%
Neilson C. Esguerra (Filipino)	Preferred				500,000	500,000	0.04%	500,000	500,000	0.02%
Ceferino L. Follosco (Filipino)	Preferred				426,720	426,720	0.03%	426,720	426,720	0.02%
Others (Singaporean, American, and Others)	Common & Preferred	3,628,694	3,203,694	0.26%	2,943,887	2,943,887	0.23%	6,147,581	6,147,581	0.24%
Total		1,229,794,252	1,229,794,252	100.00%	1,300,000,000	1,300,000,000	100.00%	2,529,794,252	2,529,794,252	100.00%

INTEGRATED MICRO-ELECTRONICS, INC.
Stockholders' Database - Common Shareholders
As of September 30, 2009

	Name	No. of Shares Outstanding	Percent Ownership	Nationality
1	AYC Holdings, Ltd.	832,342,900	67.68%	BVI
2	Resins, Inc.	208,110,100	16.92%	Filipino
3	ESOWN Subscription	96,847,916	7.88%	Various
4	POMS Investment Pte Ltd	49,842,738	4.05%	Singaporean
5	ESOWN Trust Account	11,244,944	0.91%	Filipino
6	Mitsubishi Corp.	10,500,000	0.85%	Japanese
7	SIIX Corp.	5,721,102	0.47%	Japanese
8	Chng Poh Guan	2,915,647	0.24%	Singaporean
9	Phua Teo Chye	2,822,150	0.23%	Singaporean
10	Chow Phui Kheong	2,751,108	0.22%	Singaporean
11	Kwok Kai Ming	1,476,661	0.12%	Singaporean
12	Jocelyn E. Tan	900,000	0.07%	Filipino
13	Michael R. Hansson	690,292	0.06%	Swedish
14	Masaharu Nishii	360,000	0.03%	Japanese
15	Edilberto R. Mendoza	300,000	0.02%	Filipino

16	Transtechnology Pte Ltd	264,980	0.02%	American
17	Zhang Binbin	238,482	0.02%	Singaporean
18	Antonio B. Estacion, Jr.	225,000	0.02%	Filipino
19	Aldo Antonio B. Penaflorida	160,000	0.01%	Filipino
19	Virgilio M. Estrada, Jr.	160,000	0.01%	Filipino
20	Arnold E. Sayaman	100,000	0.01%	Filipino
20	Joselito C. Roco	100,000	0.01%	Filipino
		1,228,074,020	99.86%	

INTEGRATED MICRO-ELECTRONICS, INC.
Stockholders' Database - Preferred Shareholders
As of September 30, 2009

	Name	No. of Shares Outstanding	Percent Ownership	Nationality
1	Ayala Corporation	596,043,238	45.85%	Filipino
2	AsiaCom Philippines, Inc.	460,000,000	35.38%	Filipino
3	Resins, Inc.	219,979,398	16.92%	Filipino
4	Mitsubishi Corporation	11,098,843	0.85%	Japanese
5	SIIX Corp.	6,047,392	0.47%	Japanese
6	Helmut Baumgart	1,062,122	0.08%	German
7	Andrew C. Carreon	1,043,400	0.08%	Filipino
8	Meneleo J. Carlos, Jr.	855,000	0.07%	Filipino
9	Neilson C. Esguerra	500,000	0.04%	Filipino
10	Ceferino L. Follosco	426,720	0.03%	Filipino
10	Francisco I. Ferrer	426,720	0.03%	Filipino
11	Josef Pfister	362,824	0.03%	German
12	Transtechnology Pte Ltd	280,092	0.02%	American
13	Claudio Truzzi	208,680	0.02%	Belgian
14	Mary Ann S. Natividad	200,000	0.02%	Filipino
15	Rosalyn O. Tesoro	177,492	0.01%	Filipino
16	Sherly D. del Carmen	121,920	0.01%	Filipino
17	Peter Lausen	104,340	0.01%	German
18	Ceferina S. Santos	100,000	0.01%	Filipino
18	Reynaldo N. Torda	100,000	0.01%	Filipino
19	Fe R. Gonzales	80,000	0.01%	Filipino
20	Maribeth D. Gamao	73,080	0.01%	Filipino
		1,299,291,261	99.95%	

RECENT ISSUANCES OF SECURITIES CONSTITUTING EXEMPT TRANSACTIONS UNDER SECTION 10.1 OF THE SECURITIES REGULATION CODE

Stock Ownership Plan

In its Resolution No. 224, Series of 2004, the Commission resolved that the proposed issuance of One Hundred Fifty Million (150,000,000) shares with a subscription price per hare of ₱2.82 or a total of ₱423,000,000.00 to 600 Stock Option grantees pursuant to its IMI Stock Option Plan, is exempt from the registration requirements of the Securities Regulation Code under Section 10.2 thereof.

On 15 December 2005, the Board of IMI approved the modification of IMI's Stock Option Plan (SOP) to a stock ownership plan called ESOWN. Under ESOWN, the subscription price shall be initially equal to the exercise price under SOP. For as long as IMI remains privately-owned, the price shall be determined based on the multiples of net book value, EBITDA and net income of 10 comparable Asian EMS companies as of the close of the calendar year prior to the grant. Once IMI becomes publicly listed, the subscription price per share shall be based on market price with a discount at the date of grant. The grantees shall pay the shares subscribed in installments over a maximum period of 10 years, wherein a guarantee payment of 2.5 percent of the value of the subscribed shares shall be paid upon subscription. It shall serve as a guarantee payment during the 10-year payment period and will only be redeemable upon full payment of the entire subscription within the term of payment.

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

While the IMI remains privately owned, it reserves the right to repurchase the shares at the original or stipulated subscription price.

A subscription is declared delinquent when the minimum payment required remains unpaid 15 days after the due date and a written notice of the delinquent subscription is released by the ESOWN Administrator to the subscriber. A subscriber is given thirty (30) days grace period from receipt of the written notice of delinquent subscription to settle the minimum payment required. Any cash dividends of a delinquent subscription will be applied to pay the subscription due. Stock dividends paid while the subscription is delinquent will only be released to the grantee when the delinquent account is paid for future ESOWN grants.

On February 21, 2007, IMI's BOD approved the granting of 45,150,000 shares under the ESOWN at the subscription price of ₱12.50 per share to various employees, top performers and key personnel of the Company. All the granted shares have been subscribed. The grantees will pay for the shares subscribed through installments over a period of 8 years, wherein an initial payment of 2.5% of the value of the subscribed shares is payable upon subscription. It shall serve as a down payment for the subscription. The subscribed shares have a holding period as follows: (a) 40% after one year from subscription date; (b) 30% after two years from subscription date; and (c) 30% after three years from subscription date. The actual grant date of the subscriptions was on October 15, 2007. The fair value, determined based on a private bank's valuation of IMI to be used by a potential investor, was ₱14.98 per share. The difference between the fair value and the subscription price will be recognized as employee benefit expense over the required service period. In 2008, the management has approved a two-year moratorium on the scheduled payments due in 2008 and 2009 which resulted to an extension of the payment period from eight (8) to ten (10) years.

As of 30 June 2009, the total number of recipients under the Corporation's ESOWN is 1,710 subscriptions, involving a total of 97,272,916 shares at an average subscription price of ₱7.45 per share and payable in installment over a period of ten (10) years.

On 18 August 2009, the IMI Compensation Committee, in the exercise of a delegated authority from the IMI BOD, approved the third tranche of the ESOWN not exceeding the balance of 51,115,000 common shares at a subscription price of ₱5.28 per share, for distribution to a select group of executives. This third tranche is also payable in installment over a period of ten (10) years. Allocations for the third tranche are for finalization and acceptance and will be disclosed in due course.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements of the Company and notes thereto included elsewhere in this Prospectus. The Company cautions prospective investors that its business and financial performance are subject to substantive risks and uncertainties.

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

Overview

IMI has been engaged in manufacturing services involving the assembly of electronic products and components and other related services since its inception. Its operations have expanded to a multi-country manufacturing network with worldwide supply chain management, offering end-to-end services for the entire product lifecycle, including design and engineering, manufacturing and systems integration, fulfillment and after-market services.

Plans and Prospects

As the global financial crisis persists and major economies forecast contraction in 2009, the electronics industry continues to suffer from weak demand by corporate and individual consumers. In response to these market realities, IMI has implemented measures to ensure it remains viable.

IMI is implementing cost-reduction programs that include cutting down overhead expenses, consolidating operations, controlling capital expenditures, and increasing efforts in sharing resources across sites. It has also made difficult right-sizing decisions to keep labor-related costs commensurate to the reduced business volume. Most importantly, it continues to find opportunities for growth and enhances its capabilities to enable it to take advantage of these opportunities.

In spite of the crisis, IMI stands to benefit from a bigger trend that is more lasting than this temporary setback: Electronics will remain a key element of the economy of the future as more and more people increase their dependence on electronic products at home, at work and everywhere in between. For the EMS industry, there is a sizable untapped market as 66 percent of total electronics assembly is currently being done in-house by the OEMs.

The Company is optimistic about its future. First, IMI is in a stable financial position. With its shareholders' support and trust, it will continue its expansion program. Second, its business track record has put it on the radar of global OEMs. Its revenues have grown at a compounded annual growth of 36 percent over the past five years. It has earned a respected position in the electronics industry: IMI ranks among the top 50 EMS providers in the world and is regarded as a preferred supplier by a number of leading OEMs. Third, IMI will continue to parlay its flexible expertise and multi-location facilities into better and productive enterprises. Lastly, it is faced with several opportunities for growth.

The strategies that will best serve IMI's vision of being a leading global electronics solutions provider by 2020 are as follows:

- Target market leaders in high-growth, high-margin product niches with high technological complexity, customization needs and quality requirements
- Pursue conversion of consignment business to turnkey
- Enhance design and engineering and supply chain management capabilities to better serve target markets
- Pursue strategic business development activities including mergers and acquisitions, technology development and vertical integration

IMI could take heart from the fact that the prognosis for Asia's financial sector in 2009 is relatively better compared to other emerging economies, or even against the region's financial crisis in 1997-1998. Asian economies remain relatively robust, as are their corporate and banking sector balance sheets. Indeed, IMI will stay buoyant in this fairly navigable environment.

Results of Operations

Revenues, gross profit, net income, and the related computed EBITDA and basic earnings per share, for years ended 2008, 2007 and 2006 and the six month periods ended 30 June 2008 and 2009 are shown on the following table:

	For the years ended 31 December			For the six months ended 30 June	
	2008	**2007**	**2006**	**2009**	**2008**
				(Unaudited)	
	(in US$ thousands, except Basic EPS)				
Revenues from sales and services	441,145	422,107	395,002	169,370	230,133
Gross Profit	70,777	91,321	86,142	17,809	40,279
Net Income	(16,782)	35,760	34,719	6,018	(17,107)
EBITDA	46,977	61,975	62,587	11,253	28,698
Basic Earnings per Share (EPS)	(0.0137)	0.0299	0.0293	0.0044	(0.0145)

The major components of the Company's Cost of Sales for years ended 2008, 2007 and 2006 and the six month periods ended 30 June 2008 and 2009 are shown on the following table:

	For the years ended 31 December			For the six months ended 30 June	
	2008	**2007**	**2006**	**2009**	**2008**
				(Unaudited)	
			(in US$ thousands)		
Direct, indirect and other material-related costs	222,774	199,605	200,448	108,191	109,355
Direct labor, salaries, wages and employee benefits	97,896	79,192	64,059	26,618	54,709
Depreciation and amortization	15,176	16,488	12,921	7,586	7,798
Impairment loss[24]	1,502	–	–	–	–
Facilities costs and others:					
Variable overhead	12,347	14,474	14,924	1,707	7,634
Utilities	9,035	8,596	7,609	3,094	4,602
Outsourced activities	4,897	2,710	1,987	1,564	2,248
Repairs and maintenance	3,998	2,265	2,594	1,241	2,023
Government-related	840	276	259	529	613
Technology-related	211	102	102	5	38
Others	1,692	7,078	3,957	1,026	834
	370,368	330,786	308,860	151,561	189,854

The major components of the Company's Operating Expenses for years ended 2008, 2007 and 2006 and the six month periods ended 30 June 2008 and 2009 are shown on the following table:

	For the years ended 31 December			For the six months ended 30 June	
	2008	**2007**	**2006**	**2009**	**2008**
				(Unaudited)	
			(in US$ thousands)		
Salaries, wages and employee benefits	27,669	22,727	20,922	7,745	11,979
Depreciation and amortization	6,138	7,026	6,989	2,935	2,968
Facilities costs and others:					
Outsourced activities	5,069	5,817	2,492	2,905	3,271
Technology-related	960	1,303	1,770	478	433
Repairs and maintenance	916	756	579	220	260
Government-related	694	881	1,016	353	295
Utilities	663	1,196	1,212	205	318
Others	11,990	13,551	8,485	2,538	3,695
	54,099	53,257	43, 465	17,379	23,219

[24] Recognition of an impairment loss which represents the carrying amount of the production assets dedicated to certain businesses with customers, net of reimbursements received, following the pre-termination of the Company's manufacturing agreements with these customers.

Six-month period ended 30 June 2009 compared with six-month period ended 30 June 2008

Revenues from Sales and Services

IMI revenues from sales and services were reduced by 26 percent from the same period last year to US$169.4 million. The significant decline in volume and drastic price cut imposed by the Company's top customer in the Optical Disk Drive (ODD) business was due to the reduction of orders of said customer as it faced fierce competition in the super multi-drive market and lukewarm market acceptance of its next-generation ODD (BluRay) product. This has resulted in this customer's share in the total revenues to currently comprise only about 5 percent compared with its 16 percent share in the same period last year. The continuing industry stresses triggered the decline in revenues across most lines.

Cost of Goods Sold and Services

Higher manufacturing cost ratio of 89.5 percent compared to last year's 82.5 percent was the result of moving to a higher value-add of manufacturing output with turnkey production (where IMI provides labor, materials and overhead support). Cost of goods sold and services were lower than last year due to lower output resulting in lower direct labor and variable overhead.

Gross Profit and Gross Profit Margin

The contracting margins from the accelerated shift to turnkey businesses resulted in the 51 percent decline from last year's US$40.3 million gross profit to US$17.8 million. Gross profit margin of 10.5 percent was also lower than the 17.5 percent margin reported for the same period last year.

Operating Expenses

The reduction in business drove operating expenses below its level for the same period last year. Due to the industry slump in the last quarter of 2008, cost management programs were introduced in 2009 which results in a 25 percent reduction in operating expenses.

Net Income

Resulting from the above-mentioned effects on revenues, manufacturing costs and operating expenses, Income from Operations declined by 97.5 percent from the year-ago level. After incurring the unwinding cost in the amount of US$33.36 million for four significant derivative contracts, included in the "Net Finance and Other Income (Expense)", this year's first half bottomline of US$6.0 million, modestly reversed last year's US$17.1 million net loss.

Year Ended 31 December 2008 compared with Year Ended 31 December 2007

Revenues from Sales and Services

The Company posted US$441.1 million in revenues, almost a 5 percent growth from 2007 in spite of a very challenging business scenario. This 5 percent sales growth was sustained mainly through IMI's core strengths in storage devices, communications, automotive and consumer electronics.

Decreases in IMI's Philippine operations' volumes toward end of 2008 resulted in its dollar revenues lower by 3 percent compared to last year. Its top customer in the ODD industry started to decrease its volume orders by fourth quarter 2008 as it faced fierce competition in the super multi-drive market and lukewarm market acceptance of its next-generation ODD (BluRay) product. A customer in the LCD market switched business strategies lowering volume requirements from IMI and a Japanese customer pulled out of its slider fabrication assembly to consolidate production in its own facilities.

China operations on the other hand, grew by 13 percent as revenues from its customer in the telecommunications segment surged as shipments to its China end-customers of mobile broadband units increased. A European customer in the automotive segment contributed revenues that were higher by 18 percent than last year primarily due to the ramping up of new models in IMI's China plant.

Cost of Goods Sold and Services

Increases in direct material, labor and other incidental costs (i.e., other material-related costs and employee benefits) caused the year-on-year increase in cost of sales and services by US$39.6 million or about 12 percent. The increases in these cost components were due to a higher volume in 2008, prior to the global economic downturn.

Gross Profit and Gross Profit Margin

Gross profit margin of 16 percent was lower than the 2007 margin of 21.6 percent as consignment (service revenue) businesses experienced major decreases in volume mainly during the fourth quarter resulting in the shift in sales mix more to turnkey businesses (labor, materials and overhead support included in cost of sales).

Operating Expenses

Operating expenses increased barely to 2 percent from 2007 as most expenses were lower than last year's level. Salaries, wages and employee benefits increased versus 2007 due to the US$6 million one-time restructuring provision representing management's best estimate of the severance benefits to be paid to Philippine operations employees as part of the restructuring of operations in response to the decline of its business activities in the latter of 2008. This restructuring has been substantially completed as of date of this prospectus.

Net Income

Last year's net income of US$35.8 million was reversed after incurring the unwinding cost in the amount of US$33.36 million for four significant derivative contracts which was included in the "Net Finance and Other Income (Expense)" financial statement highlights caption. Excluding the one-off items on the restructuring provision and the unwinding cost, IMI would have reported a US$22.6 million net income, about 37 percent lower than the net income for the year ended 31 December 2007.

Year Ended 31 December 2007 compared with Year Ended 31 December 2006

Revenues from Sales and Services

In the midst of a thriving electronics environment evident in the seven percent revenue increase from US$395 million to US$422 million at end of 2007. Growth was brought on by a combination of organic growth and acquisition and development of new businesses.

Philippine operations accounted for 53.7 percent of the Company's total revenues in 2007 as a result of higher volumes from key customers.

Cost of Goods Sold and Services

The reduction in materials-related spending was the result of better product mix from higher semi-turnkey sales of Singapore/China operations. On the overall however, cost of goods sold and services increased by 7 percent year-on-year of which about 69 percent caused by the increase in direct labor, salaries, wages and employee benefits. This was due to the impact on the peso appreciation to expenses in Philippine pesos in the Company's US dollar functional currency financial statement reporting.

Gross Profit and Gross Profit Margin

A number of developments in 2007 contributed to the Company's profitability for that year:

- Expansion of the LCD business via an upstream integration of PCBA operations
- Higher consignment business

- Shift of certain projects from turnkey to semi-turnkey arrangements

As such and with the 7 percent revenue growth, gross profit increased by 6 percent in absolute terms but just maintaining the twenty-two percent gross profit margin in 2006.

Operating Expenses

Operating expenses increased by 22.5 percent due to the impact of currency fluctuation coupled with a higher headcount to scale up operations.

Net Income

Net income grew by 3 percent in 2007. Expansion continued at a steadfast face, priming the Company to a larger share in the global EMS market.

Financial Condition, Liquidity and Capital Resources

Overview

The principal requirement for liquidity are for the purchase of direct, indirect and other material-related costs and payment of other cost of goods sold and services, the payment of operating expenses and repayment of debt. In recent years, the Company met these requirements substantially out of operating cash flows and short-term loans payable mainly by overseas operations were incurred to assist with temporary liquidity requirements. IMI expects that its operating cash flow will continue to be sufficient to fund its operating expenses for the foreseeable future.

The Company's cash flows for the years ended 31 December 2008, 2007 and 2006, and the six-month period ended 30 June 2009, are set out in the following table:

	Six months ended 30 June	**For the years ended 31 December**		
	2009	**2008**	**2007**	**2006**
	(Unaudited)	***(in US$ thousands)***		
Net cash provided by operating activities	17,226	28,027	45,584	39,510
Net cash used in investing activities	(140)	(13,753)	(16,691)	(25,414)
Net cash provided by (used in) financing activities	(8,777)	17,626	(29,357)	(3,647)
Net foreign exchange difference in cash and cash equivalents	(40)	(2,584)	404	(198)
Net increase (decrease) in cash and cash equivalents	8,269	29,316	(60)	10,251

Net cash flows from operating activities

Net cash provided by operating activities for the six-month period ended 30 June 2009 was US$17.2 million, while net income before income tax for the same period was US$7.4 million. Cash generated from operating income (after adding back the non-cash items of which depreciation and amortization amounted to US$10.5 million) was about US$19.3 million and interest income was US$0.4 million. These were partially reduced by interest expense of US$1.5 million and income taxes of US$0.9 million.

Net cash flows provided by operating activities in 2008 were US$28.0 million. The Company's accounting loss before provision for income tax was US$14.3 million and this amount was positively adjusted for, among other things, depreciation of the Company's plant and equipment of US$18.6 million, a US$6 million restructuring provision representing management's best estimate of the benefits to Philippine operations employees separated, inventory obsolescence of US$5.5 million, losses on derivative assets amounting to US$4.3 million, accruals for interest on bank loans and other interest expense of US$3.6 million, amortization of intangible assets of US$2.7 million, net unrealized foreign exchange losses of US$2.4 million, a US$1.5 million impairment loss which represents the carrying amount of the production assets dedicated to certain businesses with customers following the pre-termination of the manufacturing agreements with them; and was minimally reduced by a US$0.5 million net other upward adjustments to income. Net working capital was reduced by US$3.3 million, resulting in cash generated from operations of US$33.0 million. These were partially reduced by interest paid (net of interest income actually received) of US$2.6 million and income taxes paid amounting to US$2.4 million.

Net cash provided by operating activities was US$45.6 million in 2007, while income before income tax was US$38.5 million that year. Cash generated from operating income (after adding back the non-cash items of which depreciation and amortization amounted to US$23.5 million and accruals for interest on bank loans which amounted to US$5.1 million) was US$67.1 million while net cash spent for working capital was US$15.7 million. Interest paid (net of interest income actually received) amounted to US$4.0 million while income taxes paid was US$1.8 million.

Net cash flows provided by operating activities were US$39.5 million in 2006 with the income before income tax at US$37.6 million for the year then ended. Cash generated from operating income (after adding back the non-cash items of which depreciation and amortization amounted to US$19.9 million and accruals for interest on bank loans which amounted to US$6.2 million) was US$64.1 million while net cash spent for working capital was US$16.3 million. These were partially reduced by interest payments (net of interest income actually received) of US$4.5 million and income tax payments totaling US$3.8 million.

Net cash flows from investing activities

Net cash used in investing activities for the six-month period ended 30 June 2009 of US$0.1 million was used mainly to defray the necessary expenditures on property, plant and equipment. Since the start of the global economic crisis the Company's capital expenditures have been subdued. For years ended 31 December 2006, 2007 and 2008, cash used mainly for machinery, facilities and other equipment, buildings and improvement acquisitions and additions were US$25.4 million, US$17.0 million and US$13.8 million, respectively. See "Capital Expenditures" below for more details of the Company's uses of capital.

Net cash flows from financing activities

Net cash used financing activities during the six-month period ended 30 June 2009 was US$8.8 million reflecting mostly the Company's repayment of its bank loan payables. Net cash inflows from financing activities in 2008 included the stockholders' equity infusion in preferred shares of US$26.6 million addressing the negative cash flow impact of the hedging losses incurred, other employee stock ownership (ESOWN) related additions of about US$1.5 million and net availment of short term financing of US$0.2 million. This was reduced by the US$10.7 million dividend payments in 2008. Net cash used in financing activities in 2007 and 2008 were US$29.4 million and US$2.6 million, respectively. These amounts were for dividend payments of US$10.5 million in 2007 and US$7.9 million in 2006; net repayments of loans and long-term debt of US$19.2 million in 2007 and net availment of loans amounting to US$4.9 million in 2009; and other stockholders' equity (ESOWN) additions of US$0.4 million for both 2007 and 2006.

Net Working Capital

The Company has current assets in excess of its current liabilities of US$55.6 million, US$64.8 million, US$70.5 million and US$81.5 million as of 31 December 2006, 2007 and 2008, and 30 June 2009, respectively. The breakdown of net working capital is shown in the following table:

	Six months ended 30 June	For the years ended 31 December		
	2009 *(Unaudited)*	**2008**	**2007**	**2006**
	(in US$ thousands)			
Current Assets				
Cash and cash equivalents	$65,874	$57,605	$28,289	$28,349
Derivative assets	–	–	2,042	244
Loans and receivables	74,354	74,927	81,851	73,806
Inventories	26,485	35,485	43,666	32,293
Other current assets	2,867	3,413	2,142	2,579
Total Current Assets	169,580	171,430	157,990	137,271
Current Liabilities				
Accounts payable and accrued expenses	$64,599	$69,788	$74,508	$62,653
Provisions	138	6,013	1,692	1,354
Loans payable	15,336	17,110	9,008	9,540
Current portion of long-term debt	8,000	8,000	8,000	8,150
Total Current Liabilities	88,073	100,911	93,208	81,697
	$81,507	$70,519	$64,782	$55,574

Capital Expenditures

The Company has made significant expenditures to improve operations, reduce cost and maintain performance of major property, plant and equipment.

The table below sets out the capital expenditures for the past three years. The Company has historically sourced funding for its capital expenditures mainly from internally-generated funds.

Year ended 31 December	Expenditure (in US$ millions)
2008	14.6
2007	16.9
2006	24.3

The Company incurs these capital expenditures for a number of reasons such as the additional means to carry out its business operations, the increase in capacity of an existing capital asset or improvement in the quality of service or output of an existing asset, or improvement in the economic life of an existing capital asset, replacement of a defective or obsolete asset, or to comply with safety or governmental requirements. Projects that are not postponeable or considered mandatory which either are due to avoid operational downtime or disruption, to address customer quality concerns thus increasing probability of lost sales, or to address safety or security issues that will affect employee performance or morale that may lead to lost operational man-hours. Based on Company policy on capital expenditures, the payback period and/or internal rate of return is required to be assessed for major projects to determine its viability. This in addition to non-financial considerations such as strategic fit or customer value-added strategy are also given due consideration in pursuing capital expenditures.

For 2009, the Company currently has budgeted US$4.2 million for capital expenditures for operational improvements. These capital expenditures are expected to be funded mainly by internally generated cash flow. Capital expenditure plans of the Company are based on management's estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditures are subject to various factors, including: new product introductions, forecasted surges in sales volumes of products, changes in management's views of the desirability of current plans and other macroeconomic factors. There can be no assurance that the Company will execute its capital expenditure plans as contemplated at or below estimated costs.

Credit facilities

The Company has the following credit facilities as of 30 June 2009:

- IMI has a clean loan drawn from a US$36 million facility with a local bank, of which US$20 million was drawn during the end of the second quarter in 2008. As of 30 June 2009, the unpaid balance was US$8 million.
- ₱1,060 million facility with a local bank
- Clean loans from various Singapore banks were drawn from existing revolving credit facilities. The credit lines with foreign financial institutions as of 30 June 2009 follow:

Credit Limit	Available Credit Line
$26,200,000	$25,704,388
SGD1,700,000	SGD293,454

For further details, see "Material Contracts".

Off-Balance Sheet Arrangements

As of 30 June 2009, except for operating lease obligations, there were no off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are deemed material to investors.

Contractual Commitments

The Company's contractual obligations as of 30 June 2009 are summarized in the following table:

	Payments for contractual obligations due by period			
	Total	2009	2010-2014	After 31 Dec 2014
	(in US$ thousands)			
Long-term debt maturities	50,000	8,000	42,000	–
Loans payable	15,336	15,336	–	–
Operating lease obligations	3,361	930	1,889	542
	68,697	24,266	43,889	542

Causes for any material changes (+/- 5% or more) in the financial statements:

Income Statement items – Six months ended 30 June 2009 versus 30 June 2008

26% decline in revenues from sales and services
Mainly due to the significant decline in volume as an offshoot of the global financial crisis and industry-wide reductions in inventories and drastic price cut imposed by the Company's top customer in the Optical Disk Drive (ODD) business.

20% decline in cost of goods sold and services
Cost of goods sold and services were lower than last year due to lower sales volume resulting in reduced direct labor and variable overhead.

25% reduction in operating expenses
The reduction in business drove operating expenses below its level for the same period last year mainly owing to the industry slump experienced in the last quarter of 2008; all support functions were mandated to cutback expenses by 20 percent at the start of 2009.

121% increase in net finance and other income
Impact of last year's US$33.36 million unwinding cost of four significant derivative contracts was reversed by the recognition of the cash call from an insurance claim of about US$6 million this year

7% increase in provision for income tax
Higher tax rates imposed on certain China subsidiaries in 2009

5.9% decrease in Net Income Attributable to Minority Interests
Due to Shenzhen Speedy-Tech Electronics Co., Ltd. net income in 2009

135% increase in net income
Reversal of last year's US$17.1 million net loss resulted mainly from the recognition of the cash call from an insurance claim of about US$6 million

Income Statement items – Year ended 31 December 2008 versus 31 December 2007

12% increase in cost of goods sold and services
Due to the increases in direct material, direct labor and other incidental costs (i.e., other material-related costs and employee benefits) as a result of the higher output for the year prior to the global economic downturn experienced during the fourth quarter.

Increase in financing charges, interest expense and others by 79 times
This was mainly due to the cost to unwind four significant derivative contracts amounting to US$33.36 million.

10% decrease in provision for income tax
Mainly due to the lower provision for tax on income from foreign subsidiaries

29% decrease in Net Income Attributable to Minority Interests
Shenzhen Speedy-Tech Electronics Co., Ltd. net income decreased.

Income Statement items – Year ended 31 December 2007 versus 31 December 2006

7% increase in revenues from sales and services
A thriving electronics environment led to the 7 percent revenues as was brought on by a combination of organic growth and acquisition and development of new businesses. The Philippine operations accounted for 53.7 percent of the Company's total revenues as a result of higher volumes from key customers.

7% increase in cost of goods sold and services
About a proportionate level of increase in cost of goods sold and services, about 72 percent caused by the increase in direct labor, salaries, wages and employee benefits resulting from the peso appreciation's impact on expenses denominated in Philippine pesos in the Company's US dollar functional currency financial statement reporting.

23% increase in operating expenses
The impact of currency fluctuation coupled with a higher headcount to scale up operations resulted in higher operating expenses.

108% increase in net finance and other income
Due to foreign exchange gains, reduction in interest and bank charges and the year-on-year increase in interest and miscellaneous income

6% decrease in provision for income tax
The higher provision for tax on income from foreign subsidiaries in 2006 partially offset the increase in deferred income tax in 2007 resulting from the assets write down made during the year.

53% increase in Net Income Attributable to Minority Interests
Largely due to increase in net income of Shenzhen Speedy-Tech Electronics Co., Ltd. in 2007

Balance Sheet items – 30 June 2009 versus 31 December 2008

14% increase in cash and cash equivalents
Due to deferral of some Capital Expenditures in response to current economic downturn and better management of working capital

25% decrease in inventories
Mainly caused by lower volume requirement of turnkey customers and better management of inventory level

61% decrease in other current assets
Caused mainly by the application of prepaid taxes of previous periods for both Philippines and China operations totaling around US$1.8 million

16% decrease in noncurrent receivables
Pertains mainly to the continuous collection of long-term Non-trade receivables

11.5% decrease in property, plant and equipment
The reason being capital expenditures remained subdued in 2009

26% decrease in intangible assets
Pertains mainly to the amortization for the period of Customer Relationship, Unpatented Technology and other intangible assets

300% increase in deferred income tax assets
Increase in China/Singapore subsidiaries' deferred income tax mainly attributable to the deferred deductibility of the additional allowance for inventory obsolescence recognized during the period

14% decrease in other noncurrent assets
Primarily due to deferred costs related to strategic projects in 2008 charged against periodic income

7% decrease in accounts payable and accrued expenses
Lower trade purchases due to lower output for the period accounted mainly for the decrease

98% reduction in provisions
Principally due to the substantial completion of restructuring program conducted in response to the decline of its business activities in the latter part of 2008; the reduction pertained mainly to the benefits paid to separated Philippine based employees.

10% decrease in loans payable
Due to repayments

8.7% decrease in long-term debt
Due to the US$4 million semi-annual payment of Long Term loan

11% increase in unappropriated retained earnings
First half US$6 million bottomline reduced by year-to-date dividends declared of US$2.6 million

20% increase in reserve for fluctuation of available-for-sale financial assets
Changes in the fair values of the Company's investments in club shares accounted for the increase in the amount of reserve

5.5% increase in Minority Interests in a Consolidated Subsidiary
Due to the increase in income of Shenzhen Speedy-Tech Electronics Co., Ltd.

Balance Sheet items – 31 December 2008 versus 31 December 2007

104% increase in cash and cash equivalents
Largely the result of operational inflows

100% decrease in derivative assets
Balance at the beginning of the year included the fair value of Derivative assets settled during the year.

8% decrease in loans and receivables
Mainly due to higher revenues from sales and services resulting in a higher trade receivable balance

19% decrease in inventories
Primarily due to writing down to net realizable values of raw materials

100% increase in Capital stock-preferred
Pertains to the stockholders' equity infusion in preferred shares to address the negative impact of the hedging losses incurred during the year

Balance Sheet items – 31 December 2007 versus 31 December 2006

737% increase in derivative assets
The Company entered into structured derivative contracts in 2007.

11% increase in loans and receivables
Mainly due to higher revenues from sales and services resulting in a higher trade receivable balance coupled with the US$1 million current receivable from the Manila Electric Company (Meralco)

35% increase in inventories
Primarily due to increase in turnkey businesses located in China/ Singapore

17% decrease in other current assets
Mainly due to decrease in advances to suppliers

100% increase in noncurrent receivables
Refers to US$5.2 million (equivalent to about ₱215.9 million) carrying value of the long-term portion of receivable from Meralco under Phase IV refund scheme

100% decrease in investment properties
Due to sale of Company land and buildings to the IMI Retirement Fund on September 2007

24% decrease in intangible assets
Pertains mainly to the amortization for the period of Customer Relationship, Unpatented Technology and other intangible assets

100% increase in deferred income tax assets
Mainly due to additional tax benefits from unutilized business loss and capital allowance from China operations

20% increase in other noncurrent assets
Mainly due to additions to project development cost, sundry receivables and deposits

19% increase in accounts payable and accrued expenses
Resulting from the increase in transactions during the year causing the higher payable balances and accruals to trade and non-trade suppliers (utilities, taxes, repairs and maintenance, insurance, among others)

5.6% decrease in loans payable
Net prepayments of loans

23% decrease in long-term debt
Mainly due to the Company's US$10 million prepayment of its US$40 million 5-year clean term loan from a local bank and the annual repayment of long-term debt amounting to US$8 million to a foreign bank.

100% decrease in deferred income tax liabilities
Mainly due to increase in future income tax provisions arising from the additional revaluation reserves from China operations

20% increase in total equity
Primarily due to the increase in Net Income amounting to US$34.7 million

Key Performance Indicators

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

	As of end				
	31 Dec 2008	31 Dec 2007	31 Dec 2006	30 June 2009	30 June 2008
Performance indicators					
Liquidity:					
Current ratio	1.70x	1.70x	1.68x	1.93x	1.25x
Solvency:					
Debt-to-equity ratio	0.45x	0.45x	0.68x	0.40x	0.69x

	For the years ended 31 December			For the six months ended 30 June[25]	
	2008	2007	2006	2009	2008
Operating efficiency:					
Revenue growth	5%	7%	117%	-26%	140%
Profitability:					
Return on equity	(11%)	25%	29%	4%	(12%)
Return on assets	(5%)	12%	13%	2 %	(5%)
EBITDA margin[26]	11%	15%	16%	7%	12%

The manner in which the Company calculates its key performance indicators are set out in the table below:

Key Performance Indicator	Formula
Current ratio	$\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-to-equity ratio	$\dfrac{\text{Total interest bearing debt}}{\text{Equity}}$
Revenue growth	$\left(\dfrac{\text{Current period revenues from sales and services}}{\text{Prior period revenues from sales and services}}\right) - 1$
Return on equity	$\dfrac{\text{Net income for the period (i.e. annualized)}}{\text{Average equity}}$
Return on assets	$\dfrac{\text{Net income for the period (i.e. annualized)}}{\text{Average total assets}}$

[25] Revenue growth is the increase in revenues over the same six-month period of the previous year. Return on assets and equity are computed as Net income for the six months ended 30 June 2009 / the 30 June 2009 and 31 December 2008 average of total assets and stockholders' equity, respectively. EBITDA margin computed as EBITDA / revenues from sales and services for the six months ended 30 June 2009.

[26] EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

2008 Audited Financial Statements

Presentation of the details of Cost of Goods Sold and Cost of Services (PAS 18)

PAS 18 does not require the entity to separately present Cost of Goods Sold from Cost of Services. Paragraph 35 of PAS 18 only requires the entity to disclose the amount of each significant category of revenue recognized during the period, including revenue arising from sale of goods, rendering of services, interest, royalties, dividends and revenue arising from exchanges of goods and services included in each significant category of revenue.

Disclosure on "Other Payables" which is mentioned in the last sentence of the last paragraph under Note 13 of the FS (PAS 24).

PAS 24 pertains to Related Party Disclosures. All transactions pertaining to related parties are disclosed in Note 29. The Other Payables included in Note 13 amounts to US$4.65 million. The note specifically indicates that US$2.30 million of this pertains to the Company's liability for the unwinding of its derivative transactions. The remaining US$2.35 million was no longer discussed in detail, except to say that it is non-interest bearing and normally settled within one year, because the amount is just 3% of the total Accounts Payable and Accrued Expenses balance. This US$2.35 million actually pertains to various accruals and payables of STEL.

Reviewed Interim FS as of 30 June 2009

Breakdown on "Revenue from Sales" and "Revenues from Services" (PAS 18)

The Company prepared its financial statements in accordance with PAS 34, Interim Financial Reporting. PAS 34 requires lesser disclosures compared with annual financial statements. It only requires selected explanatory notes, which are specifically enumerated in the standard. Additional notes are included only if their omission would make the condensed interim financial statements misleading. The Company did not deem it necessary to provide a breakdown of Revenue from Sales and Revenue from Services.

Presentation of the details of "Cost of Goods Sold" and "Cost of Services" (PAS 18)

As aforementioned, there is no requirement in PAS 18 to separately disclose Cost of Goods Sold from Cost of Services.

Disclosure of the status of insurance claim amounting to \$6,951,303 to support the recognition of a receivable and "Miscellaneous Income)" (PAS 18, 37).

IMI's insurance claim amounting to US\$6,951,303 for damages to equipment and inventories caused by fire in its Cebu plant would be collected before the end of the year. The insurers need only to complete the evaluation of the supporting documents vis-a-vis the actual loss subject to indemnity pursuant to the insurance policy and existing statutory requirements. As allowed by PAS 37, the insurance claim was recognized as a receivable because it is virtually certain that the Company will be able to collect from the insurance companies for the following reasons:

a. the event that caused the damage was a covered event under the insurance policy; and,

b. there is track record that the Company is able to collect its claims from these insurers.

Known Trends, Events or Uncertainties

To the best of the Company's knowledge,

(i) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

(ii) There are 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) 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 material commitments for capital expenditures;

(v) 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 net sales or revenues or income from continuing operations should be described.

(vi) There are no significant elements of income or loss that had arisen from the registrant's continuing operations;

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

Directors and Executive Officers of the Issuer

The Board of Directors and Executive Officers of the Company are the following:

Name	Position
Jaime Augusto Zobel de Ayala	Chairman of the Board of Directors
Fernando Zobel de Ayala	Director
Delfin L. Lazaro	Director and Chairman of the Executive Committee
Arthur R. Tan	Director, President, Chief Executive Officer and Chief Operations Officer
Filemon T. Berba, Jr.	Independent Director
Solomon M. Hermosura	Director and Corporate Secretary
Diosdado P. Banatao	Independent Director
Jose Ignacio A. Carlos	Director
Ceferino L. Follosco	Independent Director
Rafael Ma. C. Romualdez	Director
Philip Ong Mong Siang[27]	Director

Board of Directors

The overall management and supervision of the Corporation is undertaken by the Board of Directors.

Composition and Election

The Board of Directors shall consist of 11 members who shall be elected by ballot. Each stockholder entitled to vote may cast the votes to which the number of shares he owns entitles him for as many persons as are to be elected as directors, or he may give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Qualifications

No person shall be qualified or be eligible for nomination or election to the Board if he is engaged in any business which competes with or is

[27] Gerardo C. Ablaza, Jr. replaced Philip Ong Mong Siang in an election held during the November 4, 2009 meeting of the Board.

antagonistic to that of IMI. Without limiting the generality of the foregoing, a person shall be deemed so engaged:

(1) if he is an officer, manager, or controlling person of, or the owner (whether of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than the one that IMI owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be antagonistic or competitive to that of IMI; or

(2) if he is an officer, manager, or controlling person of, or the owner (whether of record or beneficially) of 10% or more of any outstanding class of shares of any corporation or entity engaged in any line of business of IMI when in the judgment of the Board, by at least three-fourths (3/4) vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board; or

(3) if the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (1) or (2) above.

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

Term

The members of the Board shall hold office for one year or until their successors shall have been elected and qualified.

In case of vacancy or vacancies in the Board between two annual meetings due to death, resignation, or other causes, the remaining directors, if still constituting a quorum, may fill said vacancies by election from among the stockholders, and the stockholders so elected shall act as members of the Board until the new directors are elected.

Meetings

The Board shall designate the days when it shall meet in session, but shall meet at least once every quarter.

The Board may be convened in special session by the Chairman or at the request of two directors.

Quorum

A majority of the directors shall constitute a quorum for the holding of a meeting, and any resolution by a majority of the quorum duly convened in session shall be a valid corporate act.

Current Directors

The following are the current directors of IMI:

Name of Director	Age	Citizenship	Position in the Board
1. Jaime Augusto Zobel de Ayala	50	Filipino	Chairman
2. Fernando Zobel de Ayala	49	Filipino	Member
3. Delfin L. Lazaro	63	Filipino	Member
4. Arthur R. Tan	50	Filipino	Member
5. Rafael Ma. C. Romualdez	46	Filipino	Member
6. Jose Ignacio A. Carlos	38	Filipino	Member
7. Diosdado P. Banatao	63	American	Member
8. Filemon T. Berba, Jr.	71	Filipino	Member
9. Ceferino L. Follosco	76	Filipino	Member
10. Solomon M. Hermosura	47	Filipino	Member
11. Philip Ong Mong Siang[28]	58	Singaporean	Member

The following is a brief profile of each of IMI's Directors:

Jaime Augusto Zobel de Ayala has been the Chairman of the Board of IMI since 01 January 1995 up to the present. Mr. Zobel de Ayala holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of the Board of Directors of Globe Telecom, Inc., Bank of the Philippine Islands, Azalea Technology Investment, Inc. and AI North America; Vice Chairman of Manila Water Co., Inc. and Ayala Land, Inc.; Co-Vice Chairman of Ayala Foundation, Inc. and Mermac, Inc.; and Director of Ayala International Pte. Ltd., Alabang Commercial Corporation

[28] Refer to Footnote No. 27 on Mr. Ablaza's replacement of Philip Ong Mong Siang. *Gerardo C. Ablaza, Jr*., Filipino, 56, has been a member of the Board of Directors of IMI since November 2009. He also holds the following positions: Senior Managing Director of Ayala Corporation and CEO and Group Head of AC Capital, a unit of Ayala Corporation; Chairman of Innove Communications, Inc.; Director of Bank of the Philippine Islands, BPI Family Savings Bank, Inc., BPI Card Finance Corporation, Azalea Technology Investment, Inc. and Asiacom Philippines, Inc. He was previously Vice President and Country Business Manager for the Philippines and Guam of Citibank, N.A. for its Global Consumer Banking business. Prior to this position, he was Vice President of Citibank, N.A. Singapore for Consumer Banking. Attendant to his last position in Citibank, N.A., he was the bank's representative to the Board of Directors of CityTrust Banking Corporation and its various subsidiaries. He graduated Summa Cum Laude at De La Salle University in 1974 with a degree in AB Major in Mathematics (Honors Program).

and Ayala Hotels, Inc. He is a member of various international and local business and socio-civic organizations including the JP Morgan International Council, Mitsubishi Corporation International Advisory Committee, Toshiba International Advisory Group, Harvard University Asia Center Advisory Committee and Harvard University School Asia Center Advisory Committee; Board of Trustees of the Asian Institute of Management, The Conference Board, Children's Hour Philippines, Inc., Ramon Magsaysay Awards Foundation and World Wildlife Fund, Philippine Advisory Council; and an international council member of The Asia Society. He was a TOYM (Ten Outstanding Young Men) Awardee in 1999 and was named Management Man of the Year in 2006 by the Management Association of the Philippines for his important role in the transformation of Ayala Corporation into a highly diversified forward-looking conglomerate. He was also awarded the prestigious Harvard Business School Alumni Achievement Award in 2007. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and took his MBA at the Harvard Graduate School of Business Administration in 1987.

Fernando Zobel de Ayala has been a director of IMI since 01 January 1995 and served as such director for the period 01 January 1995 up to the present. Mr. Zobel de Ayala holds the following positions: President and Chief Operating Officer of Ayala Corporation; Chairman of the Board of Ayala Land, Inc., Manila Water Company, Inc., Alabang Commercial Corporation, Ayala DBS Holdings, Inc., AC International Finance Ltd., Ayala International Pte. Ltd.; AG Holdings Limited, Ayala Automotive Holdings Corp., Ayala Hotels, Inc., and Anvaya Cove Beach and Nature Club, Inc.; Co-Vice Chairman of Ayala Foundation, Inc.; Co-Vice Chairman of Mermac, Inc.; Vice-Chairman of Aurora Properties, Inc., Azalea Technology Investments, Inc., Ceci Realty, Inc. and Vesta Property Holdings, Inc.; Director of the Bank of the Philippine Islands, Globe Telecom, Inc., Asiacom Philippines, Inc., and Ayala Hotels, Inc. He is also the Chairman of the Board of Caritas Manila and Co-Chairman of Philippines-Japan Economic Cooperation Committee. He graduated with a degree in B.A. Liberal Arts at Harvard College in 1982.

Delfin L. Lazaro has been a director of IMI since 02 May 2000 and served as such for the period 01 January 1995 up to the present. Mr. Lazaro holds the following positions: Chairman of LiveIt Solutions, Inc., Philwater Holdings Co., Inc. and MPM Noodles Corp., AYC Holdings, Ltd. and Atlas Fertilizer & Chemicals; Chairman and President of A.C.S. T. Business Holdings, Inc., Filnet Holdings, Inc. and Purefoods International, Ltd.; Vice Chairman and President of Asiacom Philippines, Inc.; President of Azalea Technology Investments, Inc.; Director of Ayala Corporation, Ayala Land, Inc., Globe Telecom, Inc., Manila Water Co., Inc., AI North America, Inc., AC International Finance Ltd., Ayala DBS Holdings, Inc., Ayala Automotive Holdings Corp., Bestfull Holdings Limited, Probe Productions, and Empire Insurance Company. He is also a member of the Board of Trustees of The Insular Life Assunce Co., Ltd. and

Managing Director of Lazaro, Bernardo, Tiu & Associates. Formerly, Mr. Lazaro was the President and CEO of Benguet Corporation and Secretary of the Department of Energy of the Philippine Government. He was named Management Man of the Year in 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successively high growth levels up to the Asian crisis in 1997. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Arthur R. Tan is a member of the Board of Directors of IMI for the period 2001 up to the present. He has been the President and Chief Executive Officer of IMI since 23 April 2002. Concurrently, he is the President of Eazix, the President of Speedy-Tech Electronics Ltd., and Chairman of the Board of Speedy-Tech Philippines, Inc. Prior to joining IMI, Mr. Tan was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems, Inc. (Massachusetts) from 1994 to 1998, then he became the Managing Director – Asia Pacific Region/Japan of the same company from 1998 to 2001. Mr. Tan obtained his Bachelor of Science degree in Electronics and Communication Engineering at Mapua Institute of Technology in 1982.

Rafael Ma. C. Romualdez has been a Director of IMI since 1997 and served as such for the period 1997 up to the present. Mr. Romualdez is presently also a Director of Resins, Incorporated, RI Chemical Corporation and Claveria Tree Nursery, Inc.; Chairman and President of the Philippine Iron Construction and Marine Works, Inc.; Chairman of the Board of Pigmentex Incorporated, Pacific Resins, Inc., and MC Shipping Corp. Mr. Romualdez finished his Bachelor of Arts-Mathematics course in Boston College from 1982 to 1986 and obtained his Masters degree in Business Administration–International Business at George Washington University from 1989 to 1991.

Jose Ignacio A. Carlos has been a Director of IMI since 2007 and served as such for the period 2007 up to the present. Concurrently, he is the President of Polymer Products Philippines, Inc. and AVC Chemical Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, and Mindanao Energy Systems, Inc. Mr. Carlos obtained his Bachelor of Science degree in Management at the Ateneo de Manila University and he completed his Masters of Business Administration at Johnson Graduate School of Management, Cornell University.

Diosdado P. Banatao has been an independent director of IMI since 31 January 1994 and served as such director for the period 31 January 1994 up to the present. He is the Founder and a Managing Partner of Tallwood Venture Capital, prior to which he was a venture partner at the MayfieldFund. Mr. Banatao co-founded three (3) technology startups: S3 (SBLU), Chips & Technologies (INTC) and Mostron. He also held positions at National Semiconductor, Seeq Technologies, Intersil and Commodore International. In 1997, he was honored with the prestigious Master Entrepreneur of the Year Award sponsored by Ernst & Young, Inc. magazine and Merrill Lynch Business Financial Services. Chairman of the Board of InPhi Corporation, Sequoia Communications, T-Ram Semiconductor, and Quintic Corporation, he also sits on the Boards of Alphion Corporation, Redfern Integrated Optics, Pixim, and Wilocity. He was previously the Executive Chairman, Interim President and CEO of SiRF Technology Holdings, Inc. He also served as Chairman of and led investments in Marvell Technology Group (MRVL); Acclaim Communications, which was acquired by Level One (INTC); Newport Communications, which was acquired by Broadcom (BRCM); Cyras Systems, which was acquired by Ciena (CIEN); and Stream Machine, which was acquired by Cirrus Logic (CRUS). Mr. Banatao holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology in the Philippines and an M.S. degree in Electrical Engineering from Stanford University.

Filemon T. Berba, Jr. has been an independent director of IMI since 01 January 1991 and served as such for the period 01 January 1991 up to the present. Mr. Berba is presently also the Chairman of the Board of Directors of Science Centrum Fabrication, Inc. and Filbud Agricultural Corporation; President of Philippine Foundation for Science and Technology; and Independent Directors of EEI Corporation and iPeople. He obtained his Bachelor of Science degree in Electrical Engineering at the University of the Philippines in 1959 and took his Masters of Business Administration at Wharton Graduate School, University of Pennsylvania in 1964.

Ceferino L. Follosco has been an independent director of IMI since 31 January 1994 and served in such capacity as director for the period 31 January 1994 up to the present. Concurrently, he is the Chairman of the Board/President of the following corporations: PSME Foundation; PSAE Research; Development and Communication Foundation (Agricultural Engineering); Philippine Foundation for Science and Technology (Chairman Emeritus); Chairman of the Board of Foundation for Engineering Education for Development (1996), Entrepinoy Volunteers Foundation (Founding Chairman) and Philippine Quality and Productivity Movement. Dr. Follosco also works as a Member of the Board of Directors DLSU–Angelo King Institute of Economic and Business Research and DLSU – Board of Advisers, College of Engineering. He is also presently a Commissioner of UNESCO (Phils.); member of the Executive Council of the National Academy of Science and Technology-Philippines; and a volunteer adviser of Export Development Council.

He was formerly the Secretary of the Department of Science and Technology (April 1989 to 30 June 1992), Undersecretary of the Department of Trade and Industry-Regional and Domestic Group (July 1986 to March 1989), Governor of the Board of Investments (July 1986 to March 1989), and Vice-Chairman of the National Steel Corporation (July 1986 to 1989). He graduated from Feati University with a degree in Mechanical Engineering in 1953, and with a degree in Electrical Engineering in 1955. He finished his Master of Science, Major in Agricultural Engineering and Minor in Industrial Engineering in Iowa State University in 1962. Dr. Follosco then took his Master in Management at Feati University in 1965, and obtained his Doctorate in Humanities at Ateneo de Davao University in 1990 and Doctorate in Laws at the University of the Philippines in 1992.

Solomon M. Hermosura has been a director and Corporate Secretary of IMI since 14 April 2009 and served as such for the period 14 April 2009 up to the present. Mr. Hermosura has served as Managing Director of Ayala Corporation since 1999. He also holds the following positions: Director of Pameka Holdings, Inc., Water Capital Works, Inc., Manila Water Total Solutions Corporation, AG Counselors Corporation and West Zone Water Service, Inc.; Director and Corporate Secretary of Philwater Holdings Company, Inc. and Northern Waterworks and Rivers of Cebu, Inc.; Corporate Secretary of Manila Water Company, Inc., Azalea International Venture Partners Limited, LiveIt Investments Ltd. (BVI), HRMall Holdings Limited (BVI), Azalea Technology Investments, Inc., LiveIt Solutions, Inc., Asiacom Philippines, Inc., ACST Business Holdings, Inc. and Ayala Foundation, Inc.; and Assistant Corporate Secretary of Ayala Corporation and Ayala Land, Inc. He earned his Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Philip Ong Mong Siang has been a member of the Board of Directors of IMI since 2006 and served as such for the period 2006 up to the present. Also, he has been member of the Board of Directors of Speedy-Tech group of companies since October 1992. Presently, he is also a Director of POMS Investment Pte Ltd, Singapore; PROSPECT Investment Pte Ltd, Singapore; POMS Sino Investment Pte Ltd, Singapore; Nprime International Pte Ltd, Singapore; SP Industrial Limited, Hong Kong; Shanghai Harex Metal Products Co. Ltd , PRC China; and POMS Property Shanghai Limited. Prior to joining IMI, Mr. Ong Mong Siang joined the Republic of Singapore Navy as a Naval Engineering Technician in 1969. Upon retreat from the Navy, he joined Perkins Engine Eastern and Power Drive Products from 1975 to 1976. Since then, he started his own business, dealing mainly in the engineering and shipping industries.

Officers

Designation

The following are the current officers of IMI as reflected in its GIS:

Name of Officer	Age	Citizenship	Position
1. Jaime Augusto Zobel de Ayala	50	Filipino	Chairman of the Board
2. Arthur R. Tan	50	Filipino	President & CEO
3. Sherisa P. Nuesa	54	Filipino	Senior Managing Director (Corporate Resources) & Chief Administrative Officer & CFO
4. Emmanuel V. Barcelon	53	Filipino	Senior Managing Director (Global Operations) & Chief Operating Officer
5. Linardo Z. Lopez	52	Filipino	Senior Managing Director – Materials and Supply Chain
6. Solomon M. Hermosura	47	Filipino	Corporate Secretary
7. Renan R. Osero	55	Filipino	Assistant Corporate Secretary

The following is a brief profile of each of IMI's Officers:

Jaime Augusto Zobel de Ayala. Please refer to his profile above.

Arthur R. Tan. Please refer to his profile above.

Sherisa P. Nuesa is the Chief Administration Officer and concurrent CFO of IMI since January 1, 2009 up to the present and has served in various capacities in Ayala Corporation and its subsidiaries, Ayala Land, Inc. (ALI) the country's premier real estate company, and Manila Water Co. (MWC). She was a member of the Ayala Land Management Committee from 1988 to 1999 and served in the Boards of ALI subsidiaries. She served as Ayala Land Vice President and Group Comptroller from 1988 to 1996, and then moved on as Group Head for Commercial Centers, from 1996 to 1999. She was then the National Director for the Philippines in the International Council for Shopping Centers from 1997 to March 1999. In 2008, she was honored in a country-wide search as the 2008 Outstanding CFO of the Year by the joint partnership of the Financial Executives Institute of the Philippines (FINEX) and ING Bank N.V. Ms. Nuesa attended the Advanced

Management Program for the Harvard Business School in the US in June 1999, and earned Master in Business Administration academic units from the Ateneo Graduate School of Business in Manila. She also attended the Financial Management Program of the Stanford University in 1991. A Certified Public Accountant, she holds a B.S. in Commerce degree (Summa cum Laude, 1974) from the Far Eastern University.

Emmanuel V. Barcelon is currently the Senior Managing Director Global Manufacturing Operations and Chief Operating Officer of IMI since March 2009 up to the present. Previous to this, he was the Senior Vice-President for the Philippine Operations of IMI. Mr. Barcelon completed his Bachelor of Science degree in Industrial Management Engineering at De La Salle University from 1971 to 1979 and finished his Graduate Studies Intensive Program at Ateneo de Manila University in 1981.

Linardo Z. Lopez joined IMI as Senior Managing Director for Materials and Supply Chain Management in March 2008 and has served as such up to the present. He spent a significant part of his career in OEM and contract manufacturing industries, notably with industry leaders such as Solectron and Flextronics in China. He started with Solectron USA in 1989, and was later moved to other international Solectron locations: to Japan in 1994, to Romania in 2002, and more recently to Dongguan, China in 2004 where he stayed up to the time of his departure for IMI in early 2008. He graduated with a degree in Management and Industrial Engineering from the Mapua Institute of Technology in 1978.

Solomon M. Hermosura. Please refer to his profile above.

Renan R. Osero has been the Assistant Corporate Secretary of IMI since 1995 up to the present. Concurrently, Mr. Osero is also an Associate Director of Ayala Corporation. He also serves as Corporate Secretary of Children's Hour Philippines, Inc., Ayala Multi-Purpose Cooperative, Speedy-Tech Philippines, Inc., Technopark Land, Inc. and Darong Agricultural Development Corporation, and as Assistant Corporate Secretary of Ayala Foundation, Inc., Ayala Aviation Corporation, Ayala Systems Technology, Inc., Ayala Property Management Corporation, Makati Development Corporation, Avida Land Corporation, Cebu Holdings, Inc., Cebu Property Ventures and Development Corporation, Manila Water Total Solutions, Inc. and Mermac, Inc. He graduated from the Arellano University School of Law as Salutatorian in 1986 and was admitted to the Philippine Bar in 1987.

Committees

The Corporation's By-Laws provides for an Executive Committee and such other committees as the Audit, Compensation, and Nomination Committees as the Board of Directors may deem proper to appoint.

In addition to their specific functions, each of the Executive, Audit, Compensation, and Nomination Committees shall, to the extent allowed by law, exercise such other powers and perform such other functions as may from time to time be delegated to them by the Board of Directors.

The Board of Directors shall likewise appoint three (3) persons (who need not be stockholders) to act as Proxy Validation Committee, which shall be empowered to pass on the validity of proxies.

Executive Committee

Composition and Election

The Executive Committee shall be composed of at least three members appointed by the Board from among its members. One of such members appointed shall be designated as Chairman of the Executive Committee.

Voting

The Executive Committee, during the intervening period between the Board's meetings, may act by majority vote of all its members.

Powers and Functions

The Executive Committee, during the intervening period between the Board's meetings, may act on such specific matters within the competence of the Board as may from time to time be delegated to such Executive Committee upon a majority vote of the Board, except with respect to:

(1) approval of any action for which the stockholders' approval is also required;

(2) the filling of vacancies in the Board or in the Executive Committee;

(3) the amendment or repeal of By-Laws or the adoption of new By-Laws;

(4) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and,

(5) the distribution of cash dividends to the stockholders.

The Executive Committee shall report all resolutions adopted by it to the Board of Directors at the first meeting that the latter may subsequently hold.

Audit Committee

The Audit Committee shall be composed of at least three (3) members appointed by the Board from among its members. The committee shall act by majority vote of all its members. The Chairman of the Committee is an independent member of the Board.

The Audit Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Corporation. It shall check all financial reports against its compliance with pertinent accounting standards, including regulatory requirements.

Compensation Committee

The Compensation Committee shall be composed of at least three (3) members appointed by the Board from among its members. One of such members appointed shall be designated as Chairman of the Compensation Committee. The committee shall act by majority vote of all its members.

The Compensation Committee is expected to establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy, and control environment.

Finance Committee

The Finance Committee shall be composed of at least three (3) members appointed by the Board. The appointed Chairman is independent and is technically-competent in presiding over the functions of the committee. The committee shall act by majority vote of all its members.

The Finance Committee is expected to oversee the Finance organization of the Company and its subsidiaries, the Financial Planning and Budgeting, Tax Planning and Management processes and significant finance-related policies of the Company, and to supervise its Enterprise-wide Risk Management Program. The Committee is expected to review the Company's capital structuring, major capital expenditure budgets, other capital spending plans, expansion projects, mergers and acquisitions and recommend action to the rest of the Board.

Nomination Committee

The Nomination Committee shall be composed of at least three (3) members appointed by the Board from among its members. One of such members appointed shall be designated as Chairman of the Nomination Committee. The committee shall act by majority vote of all its members.

The Nomination Committee is expected to install and maintain a process to ensure that all directors to be nominated for election at the next annual stockholders' meeting have the qualifications and none of the disqualifications of directors, and review and evaluate the qualifications of all persons nominated to positions in the corporation which require appointment by the Board.

The following are the current members of the various committees:

Executive Committee (ExCom)

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

Audit committee

Ceferino L. Follosco – Chairman
Rafael Ma. C. Romualdez
Jaime P. Villegas

Finance Committee

Cesar V. Purisima – Chairman
Delfin L. Lazaro
Rafael Ma. C. Romualdez

Nomination Committee

Jaime Augusto Zobel de Ayala – Chairman
Filemon T. Berba, Jr.
Jose Ignacio A. Carlos

Compensation Committee

Fernando Zobel de Ayala – Chairman
Delfin L. Lazaro
Rafael Ma. C. Romualdez

Significant Employees

The business is not highly dependent on the services of the significant employees as enumerated above and there are no arrangements to ensure that these persons will remain with the registrant and not compete upon termination.

Family Relationships

IMI's Chairman of the Board, Jaime Augusto Zobel De Ayala (Chairman of the Board) and Fernando Zobel de Ayala (Director) are brothers.

Members of the Board, Rafael Ma. C. Romualdez and Jose Ignacio A. Carlos are first cousins.

Involvement in Legal Proceedings

To the best of the Registrant’s knowledge, in the last 5 years up to the latest date of this information statement, none of the directors or officers is or has been involved in any of the following events material in evaluating his ability or integrity as such director or officer:

a. any bankruptcy proceeding filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

b. any conviction by final judgment;

c. any order, judgment or decree, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and,

d. violation of a securities or commodities law or regulation.

COMPENSATION OF OFFICERS

Summary Compensation Table

The aggregate compensation paid or accrued during the last three completed fiscal years and the six-month period ended 30 June 2009 to the Company's Chief Executive Officer and the most highly compensated officers and all other officers as a group is as follows:

		Six-month period ended 30 June 2009		
Name	**Position**	**Salary**	**Bonus**	**Other Annual Compensation**
		(in ₱ millions)		
Arthur R. Tan	President & CEO			
Sherisa P. Nuesa*	Senior Managing Director (Corporate Resources) & Chief Administrative Officer			
Emmanuel V. Barcelon	Senior Managing Director (Global Operations) & Chief Operating Officer			
Linardo Z. Lopez	Senior Managing Director – Materials and Supply Chain			
Elisa L. Villanueva**	Senior Managing Director – Human Resources			
All other officers as a group unnamed				NA
Total		16.5	2.1	NA

* Elected on 01 January 2009
** Resigned effective 15 August 2009

		Year ended 31 December 2008		
Name	**Position**	**Salary**	**Bonus**	**Other Annual Compensation**
		(in ₱ millions)		
Arthur R. Tan	President & CEO			
Maria Rosa L. Santos	Chief Finance Officer			
Emmanuel V. Barcelon	Senior Managing Director - Global Operations			
Elisa L. Villanueva	Senior Managing Director - Human Resources			
Linardo Z. Lopez	Senior Managing Director - Materials and Supply Chain			
All other officers as a group unnamed				
Total		31.4	4.1	NA

		Year ended 31 December 2007		
Name	**Position**	**Salary**	**Bonus**	**Other Annual Compensation**
		(in ₱ millions)		
Arthur R. Tan	President & CEO			
Maria Rosa L. Santos	Chief Finance Officer			
Emmanuel V. Barcelon	Head - Business Operations			
Elisa L. Villanueva	Head - Human Resources			
Melita R. Tomelden	Head - Quality & Reliability			
All other officers as a group unnamed				
Total		22.6	3.1	NA

Name	Position	Year ended 31 December 2006 Salary	Bonus	Other Annual Compensation
			(in ₱ millions)	
Arthur R. Tan	President & CEO			
Maria Rosa L. Santos	Chief Finance Officer			
Emmanuel V. Barcelon	Head - Business Operations			
Lucrecio B. Mendoza	Head - EAZIX			
Andrew C. Carreon	Head – Information & Communications Technology			
All other officers as a group unnamed				
Total		16.2	2.0	NA

Standard Arrangements

Other than payment of reasonable per diem of ₱100,000 per director for every Board meeting and ₱20,000 per director for every Audit Committee and Finance Committee meeting, there are no standard arrangements pursuant to which directors of IMI are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for 2009.

Other Arrangements

There are no other arrangements pursuant to which any director of IMI was compensated, or is to be compensated, directly or indirectly, during 2009 for any service provided as a director.

Any employment contract between the Corporation and named executive officer

There are no special employment contracts between IMI and the named executive officers.

Warrants and Options Outstanding: Repricing

The Company offered the Stock Option Plan (SOP) to the Company's qualified officers and employees in 2004. The options expire ten years from grant date. Of the above named officers, no officers exercised their options since 2004.

The Company has not adjusted the exercise price of the options awarded to the above named officers.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the stockholders owning more than five percent (5%) of the outstanding capital stock of IMI as of 30 September 2009:

Title of Class of Shares	Name, Address of Record Owner, and Relationship with IMI	Name of Beneficial Owner and Relationship with Record Owner	Citizenship of Beneficial Owner	No. of Shares Held	Percentage
Common Shares	AYC Holdings, Inc. 33/F Tower One, Ayala Triangle, Ayala Avenue, Makati City	Same	British	832,342,900	32.90%
Preferred Shares	Ayala Corporation 33/F Tower One, Ayala Triangle, Ayala Avenue, Makati City	Same	Filipino	596,043,238	23.56%
Preferred Shares	Asiacom Philippines, Inc. 32/F Tower One, Ayala Triangle, Ayala Avenue, Makati City	Same	Filipino	460,000,00	18.18%
Preferred Shares Common Shares	Resins, Inc. E. Rodriguez Avenue, Pasig City	Same	Filipino	219,979,398 208,110,100	8.70% 8.23%

The following table shows the list of shareholdings of the current directors and officers of IMI as of September 30, 2009:

Title of Class of Shares	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage
Common	Jaime Augusto Zobel de Ayala *Chairman*	(Direct)	Filipino	0.00%
Common	Fernando Zobel de Ayala *Director*	(Direct)	Filipino	0.00%
Common	Delfin L. Lazaro *Director and Chairman of the Executive Committee*	(Direct)	Filipino	0.00%
Common	Arthur R. Tan *Director, President & CEO*	(Direct)	Filipino	0.52%
Common	Rafael Ma. C. Romualdez *Director*	(Direct)	Filipino	0.00%
Common	Jose Ignacio A. Carlos *Director*	(Direct)	Filipino	0.00%
Common	Diosdado P. Banatao *Director*	(Direct)	American	0.00%
Common	Filemon T. Berba, Jr. *Director*	(Direct)	Filipino	0.01%
Common Preferred	Ceferino L. Follosco *Director*	(Direct) (Direct)	Filipino	0.01% 0.02%
Common	Solomon M. Hermosura *Director and Corporate Secretary*	(Direct)	Filipino	0.00%
Common	Philip Ong Mong Siang *Director*	(Direct)	Singaporean	0.00%
Common	Sherisa P. Nuesa *Senior Managing Director (Corporate Resources) & Chief Administrative Officer*	-	Filipino	-
Common	Emmanuel V. Barcelon *Senior Managing Director (Global Operations) & Chief Operating Officer*	(Direct)	Filipino	0.10%
Common	Linardo Z. Lopez *Senior Managing Director - Materials and Supply Chain*	(Direct)	Filipino	0.06%
Common	Renan R. Osero *Assistant Corporate Secretary*	-	Filipino	-
Common Preferred	Total	17,791,100 426,720		0.70% 0.02%

Voting Trust Holders of 5% or more

To the knowledge of the Registrant, no such voting trust exists.

Changes in Control

The Registrant Company is not aware of any change in control or arrangement that may result in a change in control of the Registrant since the beginning of its last fiscal year.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

No director, executive officer, or stockholders owns ten percent (10%) or more of total outstanding shares of the Company during the last two years.

Related Party Transactions

As of 30 June 2009, IMI engaged in the following transactions with related parties on an arm's length basis:

Bank of the Philippine Islands (BPI)

IMI has the following transactions with BPI and BPI Family Bank, affiliates through AC, on an arm's length basis:

(1) Savings and current accounts, and short-term deposits maintained with these banks, the balances of which as of 30 June 2009, are as follows: US$545,097 for savings and current accounts, and US$6.4 million for short-term deposits.

(2) Housing and automobile financing loans outstanding as of 30 June 2009 amounting to US$15,936.

Technopark Land, Inc. (TLI)

On 13 December 2005, IMI entered into a lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease shall be for a three-year period commencing on 31 December 2005 up to 31 December 2008. On 23 December 2008, IMI extended the lease contract for another three (3) years commencing from 31 December 2008 up to 31 December 2011. IMI pays, as monthly rental for and in consideration of the use of the leased premises, the amount of US$1,407, exclusive of value added tax.

BPI serves as IMI's major depository bank both in Philippine Peso (₱) and U.S. Dollar (USD) accounts. It also handles majority of the short term money market placements of the Company. These transactions are intended to ensure safekeeping of the Company's funds aside from earning interest income as well as obtaining convenience and security in doing business with a stable and reliable banking institution like BPI, it being one of the largest universal banks in the Philippines. It is clear, however, that the Company would be adversely affected both economically and financially in the event that BPI suffers serious irreversible business reverses or otherwise closes operations. In addition, BPI also administers the auto and housing loans benefits of IMI senior personnel.

TLI leases parcels of land to IMI because the latter's buildings and factory are located on these parcels of land long before the former became the owner of said land. The contract of lease that IMI entered into with TLI is the most economically viable option on its part considering the lower than market lease rate offered by the latter and the enormous costs involved in transferring to a new factory/plant location, not to mention the required land area which sufficiently meets the Company's requirements. The downside of this is the change of the lease rate to become at par with market upon IMI's listing with the PSE which would have an adverse impact on its net income because of increase in rent expense.

There are no related party transactions other than already disclosed in the prospectus.

IMI does not have any transactions with its major shareholders and its respective Board of Directors.

DISCLOSURE ON COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Board of Directors approved the adoption of the Manual on Corporate Governance on 30 August 2005, in order to assess the Corporation's compliance with leading practices on good corporate governance as specified in the Manual. The Manual which took effect on 01 January 2006, highlights areas for compliance improvement and sets out actions to be taken by the Corporation. Corporate Governance for IMI is anchored on the belief in a strong link between quality governance and the creation of shareholder value and long-term growth.

Board Structure and Process

IMI's eleven-person Board of Directors primarily represents the shareholders to whom it is accountable for creating and delivering value through the effective good governance of the business. Stockholders elect the directors annually. The Board represents a mix of competencies, with each director capable of adding value and exercising independent judgment. Board meetings are held at least quarterly, or as often as necessary to fulfill its role.

The Board has established committees to assist in exercising its authority, including monitoring the performance of the business. Five committees support the Board in the performance of specific functions and to aid in good governance: Executive Committee, Compensation Committee, Audit Committee, Finance Committee, and Nomination Committee.

The Executive Committee acts on such specific matters within the competence of the Board as may occasionally be delegated to the Executive Committee by the Board, except with respect to any action for which shareholders' approval is also required.

The Compensation Committee establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors.

The Audit Committee oversees IMI's internal control and financial reporting on behalf of the Board of Directors.

The Finance Committee supervises the implementation of an enterprise-wide risk management program and oversees major financial policies.

The Nomination Committee ensures that all nominees for directors for election at the annual stockholders meeting have all the qualifications and none of the disqualifications of directors.

The Company's Management is primarily accountable to the Board of Directors for the operations of IMI. It concretizes IMI's targets and formulates the strategies to achieve these.

Accountability and Audit

The Audit Committee provides oversight to external and internal auditors. Its role and responsibilities are clearly defined in the Audit Committee Charter approved by the Board of Directors. An Independent Director chairs the Committee.

A separate Internal Audit Charter approved by the Audit Committee governs the internal audit function. The principal accountants and external auditors of the Company is the accounting firm of SyCip Gorres Velayo & Company (SGV & Co.), a member firm of Ernst & Young Global Limited.

Financial Reporting

IMI's financial statements are prepared and presented in accordance with Philippine Accounting Standards and Philippine Financial Reporting Standards, which comply with International Accounting Standards.

Code of Conduct

IMI and its employees commit to live the following values: Integrity, Customer Focus, Concern for Others, and Excellence. IMI has adopted a Code of Conduct in line with the Electronics Industry's Code of Conduct. All employees of IMI with the position of Supervisor/Engineer and above should comply with the Conflict of Interest Policy, which prohibits conduct that constitutes a conflict of interest as well as conduct that could be perceived as creating a conflict with IMI's interests.

EXTERNAL AUDIT FEES (MC No. 14 Series of 2004)

Audit and Audit-Related Fees – 2008/2007

The audit fees of the Company's financial statements or services that the external auditors had provided to the Company in connection with statutory and regulatory filings or engagements were ₱3,660,000 and ₱4,780,880 for the years ended 2008 and 2007, respectively.

Tax Fees –2008/2007

The aggregate fees billed on tax services were ₱281,250 in 2008, and ₱352,750 in 2007.

All Other Fees – 2008/2007

Non-audit work performed by external auditors does not conflict with their functions as external auditors. The aggregate fees billed by external auditors for other engagements were ₱285,000 in 2008, and ₱3,835,000 in 2007.

Audit Committee's Approval Policies and Procedures for the above services

The Company, upon approval of the Audit Committee and the stockholders, appoints its external auditor and fixes the audit fee during the stockholders' meeting. The Audit Committee recommends to the stockholders for approval the appointment of external auditor and the corresponding audit fee.

The Audit Committee had approved the above fees paid to the external auditors as reflected in its minutes of meetings for the fiscal years 2008 and 2007.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure –2008/2007

There are no disagreements with the Company's external auditors as regards to financial disclosures.

Representatives of the principal accountants for the current year and the most recently completed year are expected to be present at the forthcoming shareholders meeting and will have opportunity to make a statement if desire to do so and expected to be available to respond to appropriate questions.

INTEREST OF LEGAL COUNSEL

Certain legal matters under Philippine law relating to the registration of the Subject Shares and the Listing were passed upon for the Company by the Law Firm of NOLLEDO HERMOSURA URIARTE-TAN with address at 32/F Tower One Bldg., Ayala Triangle, Ayala Avenue, Makati City and Atty. Ferdinand Q. Perez of the Law Firm FERDINAND Q. PEREZ, CPA, Attorney-at-Law and Notary Public with address at 218 A. Mabini Avenue, Tanauan City, Batangas.

Neither NOLLEDO HERMOSURA URIARTE-TAN nor FERDINAND Q. PEREZ has or will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to, or in connection with the common shares, and has not acted as promoter, underwriter, voting trustee, or employee of the Company.

INTEREST OF INDEPENDENT AUDITORS

SGV & Co. has audited the Company's financial statements, without qualification as of and for the years ended 31 December 2006, 2007 and 2008 and reviewed the financial statements as of 30 June 2009 and for the six months then ended, all included in this Prospectus. Such financial statements are included in this Prospectus and on SGV & Co.'s authority as independent public accountants. SGV & Co. has agreed to the inclusion of its reports in this Prospectus.

SGV & Co. has been IMI's independent public accountant for several years, inclusive of the fiscal year recently completed. IMI has not had any disagreements with SGV & Co. during the last two years or any subsequent interim periods.

SGV & Co. does not have and will not receive any direct or indirect interest in the Company or in any securities thereof pursuant to or in connection with the common shares.

The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The Company's Corporate Governance Manual provides that the Audit Committee shall, among other activities, (i) evaluate significant issues reported by the independent auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the independent auditors are not in conflict with their functions as independent auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

THE PHILIPPINE STOCK MARKET

Disclaimer: The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or any of its subsidiaries, affiliates or advisors in connection with the listing.

Brief History

The Philippines initially had two stock exchanges namely, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by Government have resulted in the unification of the two bourses into PSE. The PSE was incorporated in 1992 by officers of both the Manila and Makati Stock Exchange. In March 1994, the licenses of the two exchanges were revoked to give way to the operation of the PSE, but maintaining the two trading floors located in Makati City and in Pasig City. The trading floors are linked by an automated trading system which integrates all bids and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the PSE “Self-Regulatory Organization” status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies.

The PSE on August 8, 2001, completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Securities Regulation Code.

The PSE has an authorized capital stock of ₱36.8 million, of which ₱15.3 million is subscribed and fully paid-up. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities.

As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Companies are listed either on the PSE’s First Board, Second Board or the Small and Medium Enterprises Board under the following sectoral classification and index: financial, industrial, holding firms, property, services, and mining and oil sectors. The index of each classification is represented into the numerical average of the prices of the component stocks.

The PSE shifted from full market capitalization to free float market capitalization effective 3 April 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEI. The PSEI includes 30 selected stocks listed on the PSE.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The table below sets forth movements in the composite index from 1995 up to the end of 2008, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Selected Stock Exchange Data

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization *(in ₱ billions)*	Combined Value of Turnover *(in ₱ billions)*
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.9
1997	1,869.2	221	1,261.3	588.0
1998	1,968.8	221	1,373.7	408.7
1999	2,142.9	226	1,938.6	713.9
2000	1,494.5	230	2,577.6	357.6
2001	1,168.1	232	2,142.6	159.5
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	236	4,766.2	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	240	7,172.8	572.6
2007	3,621.6	244	7,978.5	1,338.3
2008	1,872.9	246	4,069.2	763.9

Source: Philippine Stock Exchange, Inc.

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading date). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade. For Small-Denominated Treasury Bonds, settlement is on the day the trade was made.

Trading on the PSE starts at 9:30 am and ends at 12:00 pm with a 10-minute extension during which transactions may be conducted; provided that, they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays when the BSP clearing house is closed.

Minimum trading lots range from 10 to 5,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50.0% or down by 40.0% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the relevant company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If a company fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Settlement

The Securities Clearing Corporation of the Philippines (SCCP) is a wholly-owned subsidiary of the Philippine Stock Exchange, Inc., and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. It is responsible for (a) synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment (DVP) clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the Exchange; (b) guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund (CTGF); and (c) performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) business days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the Philippine Depository & Trust Corporation's (PDTC) book entry system. Each Trading Participant maintains a Cash Settlement Account with one of the two existing Settlement Banks of SCCP which are Banco de Oro

Unibank, Inc. and Rizal Commercial Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its new clearing and settlement system called Central Clearing and Central Settlement (CCCS) last 29 May 2006. CCCS employs multilateral netting whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-Eligible trade cleared through it.

Scripless Trading

In 1995, the Philippine Depository & Trust Corporation (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Rizal Commercial Banking Corporation and Banco de Oro Unibank, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation (“PCD Nominee”), a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. “Immobilization” is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and a new warrant or stock certificate covering all the warrants or shares lodged (“Jumbo Certificate”) is issued in the name of the PCD Nominee. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the

PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cash or an appropriate bank limit in the system cash account of the participant-buyer, the PSE trades are automatically settled in the PDTC system, in accordance with the PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a stockholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the stockholder the legal title to the shares lodged by surrendering the jumbo certificate of the PCD Nominee to a transfer agent which then issues a new stock certificate in the name of the shareholder and a new jumbo certificate of the PCD Nominee for the balance of the lodged shares. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depositary and the registry would be on the recording of ownership of the shares in the issuing corporation's books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a new jumbo certificate is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominees' name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agent's books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 01 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirement of Section 43 of the Securities Regulation Code. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rule on Lodgment of Securities of the Exchange.

Pursuant to such amendment, the PDTC issued an implementing procedure in support thereof to wit:

For new companies to be listed at the PSE as of 01 July 2009, the usual procedure will be observed but the Transfer Agent on the companies shall no longer issue a certificate to PCD Nominee Corp.; but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.

On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Issuer's registry as of confirmation date.

PHILIPPINES FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND EXCHANGE CONTROLS

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits, and earnings that accrue on such investments will be sourced from the Philippine banking system. The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be any commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with the investment in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice or subscription agreement and/or proof of listing on the PSE; (ii) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted to pesos through a commercial bank; and (iii) in certain instances, transfer instructions from the shareholder or dealer, as the case may be. Upon submission of the required documents, the BSP or the investor's trustee bank will issue a Bangko Sentral Registration Document ("BSRD").

Upon registration of the investment, proceeds of divestments or dividends of registered investments may be repatriated or remitted immediately and in full through the Philippine banking system, net of applicable taxes, without need of BSP approval. Remittance is allowed upon presentation to the authorized agent bank of the BSP of the BSP registration document, at the exchange rate applicable on the date of the actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, is also remittable in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian/trustee bank.

The Monetary Board of the BSP may, with the approval of the President of the Philippines, temporarily suspend or restrict the sale of foreign exchange in the imminence of or during a foreign exchange crisis, or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future. The registration with the BSP of all foreign investments in the Subject Shares shall be the responsibility of the foreign investor.

The Receiving Agent will use its reasonable endeavors to effect such registration as soon as practicable and, in any event, not later than the date of the listing of the Subject Shares on the PSE. In the event that the Receiving Agent receives Philippine Pesos as payment for a subscription or sale of the Subject Shares, the Receiving Agent shall have no responsibility for the registration of such subscription as a foreign investment. In the event of non-registration as a foreign investment, the repatriation of capital or the remittance of dividends may be made only by purchasing the necessary foreign exchange from sources others than banks. Access to the banking system is limited only to those investments that have been registered.

Foreign Ownership Controls

The Philippine Constitution and related statutes sets forth restrictions on foreign ownership of companies engaged in certain activities, among them the ownership of private land.

In connection with the ownership of private land, Section 7 of Article XII of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of Republic Act No. 7042 defines a "Philippine National" as:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines
- a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of the Philippine Nationals;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and,
- a corporation organized abroad and registered as doing business in the Philippines under the Philippine Corporation Code of which 100.0% capital stock outstanding and entitled to vote is wholly owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a Philippine SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both investing corporation (i.e., the Philippine National) and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

Foreign investors are permitted to invest in the securities of a Philippine corporation unless otherwise limited by restrictions on foreign ownership imposed under the Constitution and Philippine statutes, as provided in the Foreign Investment Negative List. Among the principal restricted business activities is the ownership of land where foreign ownership is limited to 40.0% of the outstanding capital stock of the company owning land.

As of date of this Prospectus, the Company does not own land. In the event that the Company decides to hold private land, there must be strict compliance with Philippine law requirements that would constitute it as a Philippine National and allow direct ownership of private lands in the Philippines. During that period, foreign ownership in the Company would be limited to a maximum of 40.0% of the issued and outstanding capital stock and entitled to vote. Accordingly, the Company will not be able to allow the issuance or the transfer of Shares to persons other than Philippine Nationals and would not be able to record transfers in the Company's books if such issuance or transfer would result in the ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

PHILIPPINE TAXATION

The statements made regarding taxation in the Philippines are based on the laws in force at the date hereof and are subject to changes in the law occurring after such date. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to accept, own or dispose of the common shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the common shares.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF ACCEPTING, OWNING AND DISPOSING OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines." A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

Corporate Income Tax

In general, a tax of thirty-five percent is imposed upon taxable net income of a domestic corporation from all sources (within and outside the Philippines). However, effective January 1, 2009, the corporate income tax rate was reduced to 30% pursuant to Republic Act 9337. Gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust fund and similar arrangements as well as royalties from sources within the Philippines are however subject to a final withholding tax of twenty percent of the gross amount of such income.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10.0%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines from a domestic corporation are subject to a 20.0% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines from a domestic corporation are subject to tax at 25.0% of the gross amount, subject, however, to reduction under applicable tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations not engaged in trade or business in the Philippines from a domestic corporation are generally subject to tax at the rate of 35.0%, which rate was reduced to 30.0% effective 01 January 2009 pursuant to Republic Act 9337.

The 30% rate for dividends paid to a non-resident foreign corporation may be reduced depending on the country of residence of such foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. The 30% rate may be reduced to 15% if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) the country of domicile of the non-resident foreign corporation allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to 20% (or 15% beginning on January 1, 2009), which represents the difference between the regular income tax of 35% and the 15% tax on dividends.

The applicable rate of tax on dividends paid to a non-resident foreign corporation may further be reduced under applicable tax treaties executed between the Philippines and the country of residence or domicile of such foreign corporations.

Philippine tax authorities have prescribed certain procedures for availment of tax treaty relief. Subject to the approval by the Philippine BIR of the recipient's application for tax treaty relief, the Company shall withhold taxes at a reduced rate on dividends to be paid to a nonresident holder, if such non-resident holder provides the Company with proof of residence and if applicable, individual or corporate status. This tax treaty relief will require from the recipient, among others, proof of residence (such as a Certification from the applicable embassy, consulate, or other equivalent certification issued by the proper government authority or any other official document proving residence) and, if applicable, individual or corporate status (such as a copy of Articles of Incorporation and By-Laws duly certified by the Securities and Exchange Commission or its equivalent or by the Philippine Consulate/Embassy of the country concerned). If the regular tax rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. The refund process in the Philippines requires the filing of an administrative claim with the tax authorities and the submission of supporting information, and may also involve the filing of a judicial appeal.

Stock dividends representing the transfer of surplus to capital account are not subject to Philippine income tax. However, if a corporation cancels or redeems stock issued as a dividend at such time and in such manner as to make the distribution and cancellation or redemption, in whole or in part, essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock shall be considered as taxable income to the extent that it represents a distribution of earnings or profits. Moreover, the sale, exchange or disposition of shares received as stock dividends by the holder is subject to the capital gains tax or stock transaction tax.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Jurisdiction	Dividends %	Stock transaction tax on sale or disposition effected through the PSE %	Capital gains tax due on disposition of Shares outside the PSE %
Canada	25.0 (1)	0.0 (8)	0.0 (8)
France	25.0 (2)	0.0 (8)	0.0 (8)
Germany	15.0 (3)	0.5	5.0/10.0 (9)
Japan	25.0 (4)	0.0 (8)	0.0 (8)
Singapore	25.0 (5)	0.0 (8)	0.0 (8)
United Kingdom	25.0 (6)	0.0 (9)	0.0 (10)
United States	25.0 (7)	0.5 (10)	0.0 (11)

Notes:

(1) 15.0% if recipient company controls at least 10% of the voting power of the company paying the dividends.

(2) 15.0% if the recipient company holds directly at least 10% of the voting shares of the company paying the dividends.

(3) 10.0% if the recipient company owns directly at least 25% of the capital of the company paying the dividends.

(4) 10.0% if the beneficial owner is a company which holds directly at least 25% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of 6 months immediately preceding the date of payment of the dividends.

(5) 15.0% if the recipient is a company (including partnership) and during the part of the paying company's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 15% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.

(6) 15.0% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(7) 20.0% when the recipient is a corporation, if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year (if any) at least 10% of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation. However, the tax rate can be reduced to 15.0% under the tax sparing provision of Section 28(B)(5)(b) of the Philippine Tax Code (see earlier discussion on Tax on Dividends)

(8) As a general rule, the capital gains are taxable only in the country where the seller is a resident. However, if the shares sold are those of a corporation, the assets of which consist principally of real property situated in the Philippines, the sale shall be subject to Philippine taxes, as follows: [A] 0.5% of the gross selling price or gross value of the shares sold through the PSE; or [B] (i) 5.0% on the net capital gains realized during the taxable year not in excess of ₱100,000 and (ii) 10.0% on the net capital gains realized during the taxable year in excess of ₱100,000, on the shares sold outside the PSE.

(9) Under the RP-Germany Tax Treaty, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.

(10) Under the RP-UK Tax Treaty, capital gains from the sale of shares of stock in a Philippine corporation are subject to tax only in the country where the seller is a resident.

(11) Under the RP-US Tax Treaty, both the Philippines and the United States may tax gains from the disposition of an interest in a corporation if its

assets consist principally of a real property interest (i.e., more than 50%) located in that country. The term "real property interest" is to have the meaning it has under the law of the country in which the underlying real property is located. Otherwise, such gains from the alienation of shares in a Philippine company shall be taxable only in the country of which the alienator is a resident.

Sale, Exchange or Disposition of Shares

Capital Gains Tax

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5% on gains not exceeding ₱100,000 and 10% on gains over ₱100,000. The rate of tax is the same for both individual and corporation regardless of nationality and domicile.

Gains from the sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty as noted above. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities in order to obtain an exemption under a tax treaty.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that capital gains and documentary stamp taxes relating to the transfer have been paid or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the Philippine Stock Exchange

A sale, barter, exchange or other disposition of shares of stock listed and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Philippine Government by the selling stockbroker on behalf of his client.

The stock transaction tax is classified as a percentage tax and is paid in lieu of capital gains tax. In BIR Ruling No. 22-07 dated 09 February 2007, the BIR ruled that the sale of shares of stock in a Philippine company whose shares are listed at and effected through the PSE by a resident of Singapore is not exempt from the stock transaction tax. According to this ruling, the stock transaction tax due on sale of listed shares effected through the PSE is in essence a "tax on transaction", as it is due or imposed regardless of whether the gain or loss is derived from the sale. The stock transaction tax falls under Title V of the Philippine Tax Code on "Other Percentage Taxes", not under Title II on "Tax on Income". The BIR noted that while it is stated under the Philippines-Singapore tax treaty that the treaty provisions "shall also apply to any identical or substantially similar taxes on income which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes", the intention of the Contracting States is that any such additional tax or tax intended to replace existing taxes on gains derived from alienation of property should only be a tax "on income".

The tax treaty of the Philippines with Canada, US, Japan, United Kingdom and Germany, contains the same provision relating to the application of tax treaty on "any identical or substantially similar taxes" that may be imposed after the date of execution of the relevant treaty. Accordingly, except in very clear circumstances as discussed below, considering all tax treaties of the Philippines with other countries cover or are applicable only to "taxes on income", it will appear that the current position of the BIR on this issue is that the stock transaction tax payable in a sale of shares effected through the PSE by a holder who is a resident of a tax-treaty country is not covered by any tax exemption on "gain" from sale of property provided under the relevant tax treaty, as the tax applicable to such sale is not a tax "on income" but a tax "on the transaction".

An exception to the BIR position is where there is a clear, unequivocal and express exemption of the stock transaction tax from Philippine taxation under the pertinent tax treaty, as in the case of the Philippines-France tax treaty. A protocol which took effect on 31 March 1998 entered into by the Philippines and France, stated that the treaty applies to "the income tax under Title II and the stock transaction tax in accordance with Section 124-A of the National Internal Revenue Code of the Republic of the Philippines". Hence, the sale by a resident of France of shares in a Philippine company effected through the PSE will be exempt form the stock transaction tax pursuant to the provision of the Philippines-France tax treaty.

BIR Ruling No. 22-07 however, embodies an administrative position that may be reversed or otherwise elevated to the courts in the proper case.

Lastly, a VAT of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale or disposition through the PSE.

Documentary Stamp Tax

The original issue of shares is subject to documentary stamp tax of ₱1.00 for each ₱200.00 par value or a fraction thereof, of the shares of stock issued. The transfer of shares of stock is subject to a documentary stamp tax of ₱0.75 for each ₱200.00 par value or a fractional part thereof of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax for a period of five (5) years from the effectivity of Republic Act No. 9243 dated 17 February 2004. Please note that the said exemption expired on 20 March 2009.

On 30 June 2009, the President of the Republic of the Philippines signed Republic Act 9648, which permanently exempts the sale, barter or exchange of shares of stock listed and traded through the local stock exchange from the documentary stamp tax was made retroactive to 20 March 2009.

In addition, the borrowing and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

Estate and Gift Taxes

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, is subject to Philippine taxes at progressive rates ranging from 5.0% to 20.0%, if the net estate is over ₱200,000. Individual and corporate holders, whether or not residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such transfer of shares with rates ranging from 2.0% to 15.0% of the net gifts during the year exceeding ₱100,000. The rate of tax with respect to net gifts made to a stranger (i.e., one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30.0%.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation Outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations on non-resident holders of shares of stock under laws other than those of the Philippines.

APPLICABLE LAWS AND REGULATIONS

The information set out below contains summaries of certain provisions of Philippine laws applicable to IMI. The summaries provided are general in nature and are not exhaustive. Investors are advised to seek advice from their respective legal counsel in respect of specific provisions of the foregoing and other applicable laws.

Corporation Code of the Philippines

Under Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines, a corporation can issue shares of stock with such rights, privileges or restrictions as may be provided for in its articles of incorporation. Unless otherwise specified in the articles of incorporation, common shares have full dividend and voting rights. If shares are issued at a premium (that is, an issue price higher than the par value), an amount equal to the amount by which the subscription price exceeds the par value is credited to an account designated as contributed capital in excess of par. The SEC has ruled that such premium may be distributed to stockholders but only by way of stock dividends and not as cash dividends.

Management and Stockholder Action

Unless otherwise specified by law, all corporate powers shall be exercised and all business conducted and all property of such corporations controlled and held by the board of directors to be elected from among the stockholders, who shall hold office for one year and until their successors are elected and qualified.

Every public corporation is required to have at least two independent directors or such number of directors as shall constitute at least 20% of the members of the board whichever is lesser. An independent director is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The following corporate acts may only be effected with the approval of stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a stockholders' meeting convened for the purpose, namely:

(1) amendment of the articles of incorporation;

(2) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property or assets of the corporation;

(3) incurring, creating or increasing bonded indebtedness;

(4) increase or decrease of capital stock;

(5) merger or consolidation of the corporation with another corporation or other corporations;

(6) dissolution of the corporation;

(7) declaration of stock dividends;

(8) removal of directors;

(9) extension or limitation of corporate term;

(10) investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized;

(11) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws.

Each share of stock is entitled to one vote during stockholders' meetings. However, at all elections of directors, every stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

The election of directors may only be held at a meeting convened for that purpose at which stockholders representing a majority of the outstanding capital stock are present in person or by proxy. However, any vacancy in the board, other than by removal or expiration of term, may be filled by the majority of the remaining directors if still constituting a quorum.

Powers of a Corporation

Subject to the approval of the SEC, a corporation may increase or decrease its capital stock with the approval of a majority of the board of directors and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation at meetings duly called for such purpose.

Subject to the availability of unrestricted retained earnings in its books to cover the shares to be purchased or acquired, a stock corporation shall have the power to purchase or acquire its own shares for a legitimate corporate purpose or purposes including but not limited to the following cases:

(1) to eliminate fractional shares arising out of stock dividends;

(2) to collect or compromise an indebtedness to the corporation, arising out of unpaid subscriptions, in a delinquency sale, and to purchase delinquent shares sold during said sale; and,

(3) to pay dissenting or withdrawing stockholders entitled to payment for their shares under the provisions of the Corporation Code.

The shares so purchased by the corporation become treasury shares, which may again be disposed of for a reasonable price fixed by the board of directors. These shares do not have voting rights or dividend rights as long as they remain in the treasury.

Rights of Stockholders

All stockholders of a stock corporation shall enjoy a pre-emptive right to subscribe to all issues or disposition of shares of stock of any class by the corporation, in proportion to their respective stockholdings, unless such right is denied by the articles of incorporation or an amendment thereto, and irrespective of the fact that the class of shares issued may not be identical with the shares held. However, pre-emptive rights shall not extend to the following:

(1) shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or,

(2) shares to be issued in good faith, with the approval of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation, in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

Any stockholder shall also have the right to dissent and demand payment of the fair value of his shares in the following instances:

(1) in case any amendment to the articles of incorporation of the corporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the corporation;

(3) in case of merger or consolidation; and,

(4) in case the corporation invests its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

The manner and time for exercising this so-called appraisal right are set forth in the Corporation Code.

A stockholder shall also have the right to inspect corporate books and records. However, the corporation or any of its officers, directors, and agents can refuse to allow the examination and copying of excerpts from the corporation's records and minutes on the following grounds:

(1) the person demanding to examine and copy excerpts from the corporation's records and minutes has improperly used any information secured through any prior examination of the records or minutes of such corporation or of any other corporation; or,

(2) the person was not acting in good faith or for a legitimate purpose in making his demand. Stockholders also have the right to institute proceedings on behalf of the corporation in a derivative suit where the corporation itself is unable or unwilling to institute the necessary proceedings to redress a wrong committed against the corporation or to vindicate corporate rights.

Dividend Declaration

The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. Any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus cost and expenses, while stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid. No stock dividend shall be issued without the approval of the stockholders representing not less than two-thirds (2/3) of the outstanding capital stock of the corporation at a regular or special meeting duly called for the purpose.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except:

(1) when justified by definite corporate expansion projects or programs approved by the board of directors;

(2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or,

(3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for a special reserve for probable contingencies.

Securities Regulation Code

As a general rule, the SRC provides that no securities, such as shares of stock, shall be sold or offered for sale or distribution to the public within the Philippines unless such securities shall have been registered and permitted to be sold by the SEC. A registration statement is required to be filed with the SEC and a Permit to Sell obtained therefrom before any such sale or offer for sale or distribution to the public.

The SEC may deny registration of the shares and refuse to issue a Permit to Sell the shares if, among others, the registration statement is on its face incomplete or inaccurate in any material respect, or includes any untrue statement of a material fact, or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or the issuer or registrant has not shown to the satisfaction of the SEC that the sale of its securities would not work to the prejudice of the public interest or as a fraud upon the purchasers or investors.

The SRC also requires listed companies and companies whose securities are registered under the SRC to submit periodically corporate information and financial statements, including a quarterly report within 45 days from the end of each quarter and an annual report and audited financial statement within 105 days after the end of the fiscal year of the company.

ESTIMATED EXPENSES OF THE REGISTRATION AND LISTING OF SHARES

Expense	**Estimated Amount**
SEC Filing Fee	₱ 913,621
PSE Listing & Processing Fee	7,866,052
Legal and Professional Fee	8,112,500
Printing and Documentation	182,479
Stock and Transfer Agent Fee	60,000
Total	**₱17,134,652**

No premium was paid by the registrant on any policy to insure or indemnify director, or officer against any liability they may incur in the registration, issuance or sale of these securities.

INVESTORS RELATIONS’ UNIT AND CORPORATE INFORMATION OFFICER

IMI has an Investors Relations Unit under Treasury, a special unit that is responsible for the management of investor communications and other investor-related concerns and the Unit Head (OIC) is Anthony Raymond P. Rodriguez. His contact telephone numbers are 756-6840 local 5300.

IMI’s Corporate Information Officer (OIC) is Frederick L. Blancas. He can be reached at telephone numbers 756-6940 local 3630.

PARTIES TO THE LISTING

The Issuer:	**Integrated Micro-Electronics, Inc.** North Science Avenue, Laguna Technopark Special Export Processing Zone, Biñan 4024 Laguna, Philippines
Financial Advisor:	**BPI Capital Corporation** 8th Floor BPI Head Office Building Ayala Avenue corner Paseo de Roxas 1226 Makati City Philippines
Independent Auditors:	**SyCip Gorres Velayo & Co.** 6760 Ayala Avenue 1226 Makati City Philippines
Legal Counsel to the Issuer:	**NOLLEDO HERMOSURA URIARTE-TAN** 32/F Tower One Bldg. Ayala Triangle, Ayala Avenue Makati City
	FERDINAND Q. PEREZ, CPA Attorney-at-Law and Notary Public 218 A. Mabini Avenue Tanauan City 4232 Batangas, Philippines
Stock Transfer Agent:	**BPI Stock Transfer** 16th Floor BPI Head Office Building Ayala Avenue corner Paseo de Roxas 1226 Makati City Philippines

ANNEX A

Unaudited Interim Condensed
Consolidated Financial Statements
As of June 30, 2009

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Stockholders and the Board of Directors
Integrated Microelectronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have reviewed the accompanying unaudited interim consolidated balance sheet of Integrated Microelectronics, Inc. and Subsidiaries as of June 30, 2009 and the related unaudited interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month periods ended June 30, 2009 and 2008 and explanatory notes. Management is responsible for the preparation and fair presentation of these unaudited interim condensed consolidated financial statements in accordance with Philippine Accounting Standards 34, "Interim Financial Reporting" (PAS 34). Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34.

We have audited the December 31, 2008 consolidated balance sheet, presented for comparative purposes, in accordance with Philippine Standards on Auditing, on which we expressed an unqualified opinion in our report dated March 26, 2009.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-A
Tax Identification No. 163-257-145
PTR No. 1566401, January 5, 2009, Makati City

September 24, 2009

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2009

(With Comparative Audited Figures as of December 31, 2008)

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 20)	**$65,873,471**	$57,604,535
Loans and receivables - net (Notes 5 and 20)	**74,354,324**	74,927,235
Inventories (Note 6)	**26,485,318**	35,484,994
Other current assets	**2,866,687**	3,412,706
Total Current Assets	**169,579,800**	171,429,470
Noncurrent Assets		
Noncurrent receivables (Notes 5 and 20)	**2,159,874**	2,922,015
Property, plant and equipment - net (Note 7)	**67,160,226**	75,907,230
Goodwill (Note 8)	**46,225,800**	46,225,800
Intangible assets (Note 9)	**3,785,692**	5,132,691
Net pension asset	**2,505,655**	2,453,430
Available-for-sale financial assets (Notes 19 and 20)	**266,466**	265,046
Deferred income tax assets (Note 15)	**108,517**	27,505
Other noncurrent assets	**2,227,255**	2,594,633
Total Noncurrent Assets	**124,439,485**	135,528,350
	$294,019,285	$306,957,820

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10, 18 and 20)	**$64,599,207**	$69,787,272
Provisions (Notes 11 and 20)	**138,206**	6,013,238
Loans payable (Notes 12 and 20)	**15,336,180**	17,110,107
Current portion of long-term debt (Notes 13 and 20)	**8,000,000**	8,000,000
Total Current Liabilities	**88,073,593**	100,910,617
Noncurrent Liabilities		
Long-term debt (Notes 13 and 20)	**42,000,000**	46,000,000
Total Liabilities	**130,073,593**	146,910,617

(Forward)

	2009	2008
Equity (Note 14)		
Equity attributable to equity holders of the Parent Company		
Capital stock - common	**$20,259,637**	$20,253,054
Capital stock - preferred	**26,601,155**	26,601,155
Subscribed capital stock	**2,175,796**	2,182,379
Additional paid-in capital	**30,145,986**	30,213,723
Subscriptions receivable	**(9,941,685)**	(10,439,358)
Retained earnings:		
Appropriated for expansion	**60,660,981**	60,660,981
Unappropriated	**34,523,849**	31,091,806
Treasury stock	**(1,012,592)**	(1,012,592)
Reserve for fluctuation on available-for-sale financial assets	**28,729**	23,979
Other reserves	**65,051**	55,803
	163,506,907	159,630,930
Minority interests in a consolidated subsidiary	**438,785**	416,273
Total Equity	**163,945,692**	160,047,203
	$294,019,285	$306,957,820

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

	2009	2008
REVENUES FROM SALES AND SERVICES (Note 17)	**$169,369,602**	$230,132,949
COST OF GOODS SOLD AND SERVICES	**151,561,286**	189,853,828
GROSS PROFIT	**17,808,316**	40,279,121
OPERATING EXPENSES	**(17,378,860)**	(23,218,707)
OTHERS - Net		
Interest and bank charges	**(1,120,501)**	(1,964,111)
Interest income	**382,300**	568,765
Foreign exchange gains (losses)	**165,831**	(32,230,878)
Miscellaneous (Notes 5, 6 and 7)	**7,519,149**	728,658
INCOME (LOSS) BEFORE INCOME TAX	**7,376,235**	(15,837,152)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	**1,439,196**	1,356,820
Deferred	**(81,012)**	(86,977)
	1,358,184	1,269,843
NET INCOME (LOSS)	**6,018,051**	(17,106,995)
OTHER COMPREHENSIVE INCOME (LOSS)		
Fair value changes on available-for-sale financial assets	**4,750**	(21,269)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$6,022,801**	($17,128,264)
Attributable to:		
Equity holders of the Parent Company	**$5,991,041**	($17,161,838)
Minority interest	**31,760**	33,574
Net income (loss)	**$6,022,801**	($17,128,264)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common (Note 14)	**Capital Stock - Preferred (Note 14)**	**Subscribed Capital Stock (Note 14)**	**Additional Paid-in Capital**	**Subscriptions Receivable (Note 14)**	**Retained Earnings Appropriated for Expansion (Note 14)**	**Retained Earnings Unappropriated (Note 14)**	**Treasury Stock (Note 14)**	**Reserve for Fluctuation on Available-for-Sale Financial Assets**	**Other Reserves**	**Attributable to Minority Interest**	**Total**
Balances at January 1, 2009	**$20,253,054**	**$26,601,155**	**$2,182,379**	**$30,213,723**	**($10,439,358)**	**$60,660,981**	**$31,091,806**	**($1,012,592)**	**$23,979**	**$55,803**	**$416,273**	**$160,047,203**
Shares issued during the period	**6,583**	–	**(6,583)**	–	–	–	–	–	–	–	–	–
Cost of share-based payments (Note 16)	–	–	–	**301,616**	–	–	–	–	–	–	–	**301,616**
Collection on subscriptions	–	–	–	–	**128,320**	–	–	–	–	–	–	**128,320**
Accretion of subscription receivable	–	–	–	**(369,353)**	**369,353**	–	–	–	–	–	–	–
Dilution of minority	–	–	–	–	–	–	–	–	–	**9,248**	**(9,248)**	–
Dividends (Note 14)	–	–	–	–	–	–	**(2,554,248)**	–	–	–	–	**(2,554,248)**
	20,259,637	**26,601,155**	**2,175,796**	**30,145,986**	**(9,941,685)**	**60,660,981**	**28,537,558**	**(1,012,592)**	**23,979**	**65,051**	**407,025**	**157,922,891**
Net income	–	–	–	–	–	–	**5,986,291**	–	–	–	**31,760**	**6,018,051**
Other comprehensive income	–	–	–	–	–	–	–	–	**4,750**	–	–	**4,750**
Total comprehensive income	–	–	–	–	–	–	**5,986,291**	–	**4,750**	–	**31,760**	**6,022,801**
Balances at June 30, 2009	**$20,259,637**	**$26,601,155**	**$2,175,796**	**$30,145,986**	**($9,941,685)**	**$60,660,981**	**$34,523,849**	**($1,012,592)**	**$28,729**	**$65,051**	**$438,785**	**$163,945,692**

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common (Note 14)	Capital Stock - Preferred (Note 14)	Subscribed Capital Stock (Note 14)	Additional Paid-in Capital	Subscriptions Receivable (Note 14)	Retained Earnings Appropriated for Expansion (Note 14)	Retained Earnings Unappropriated (Note 14)	Treasury Stock (Note 14)	Reserve for Fluctuation on Available-for-Sale Financial Assets	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2008, as previously stated	$20,223,972	$–	$2,178,004	$27,788,669	($11,101,002)	$60,660,981	$58,378,306	($970,291)	$116,147	$–	$386,434	$157,661,220
Adjustments as a result of change in reporting period of subsidiary	–	–	–	–	–	–	840,975	–	–	36,441	13,960	891,376
Balances at January 1, 2008, as restated	20,223,972	–	2,178,004	27,788,669	(11,101,002)	60,660,981	59,219,281	(970,291)	116,147	36,441	400,394	158,552,596
Shares issued during the year	4,521	–	(4,521)	–	–	–	–	–	–	–	–	–
Cost of share-based payments (Note 16)	–	–	–	872,261	–	–	–	–	–	–	–	872,261
Collections on subscriptions	–	–	–	–	507,441	–	–	–	–	–	–	507,441
Accretion of subscription receivable	–	–	–	285,428	(285,428)	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	–	–	–	(24,175)	–	–	–	(24,175)
Dividends (Note 14)	–	–	–	–	–	–	(10,736,659)	–	–	–	–	(10,736,659)
	20,228,493	–	2,173,483	28,946,358	(10,878,989)	60,660,981	48,482,622	(994,466)	116,147	36,441	400,394	149,171,464
Net income (loss)	–	–	–	–	–	–	(17,140,569)	–	–	–	33,574	(17,106,995)
Other comprehensive loss	–	–	–	–	–	–	–	–	(21,269)	–	–	(21,269)
Total comprehensive income (loss)	–	–	–	–	–	–	(17,140,569)	–	($21,269)	–	33,574	(17,128,264)
Balances at June 30, 2008	$20,228,493	$–	$2,173,483	$28,946,358	($10,878,989)	$60,660,981	$31,342,053	($994,466)	$94,878	$36,441	$433,968	$132,043,200

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**$7,376,235**	($15,837,152)
Adjustments for:		
Depreciation of property, plant and equipment and investment properties (Note 7)	**9,175,007**	9,428,693
Amortization of intangible assets (Note 9)	**1,346,999**	1,336,980
Interest and bank charges	**1,120,501**	1,964,111
Provision for restructuring (Note 11)	**782,692**	–
Loss on fire (Notes 6 and 7)	**511,972**	–
Cost of share-based payments (Note 16)	**301,616**	872,261
Provision for inventory obsolescence - net of reversal (Note 6)	**259,442**	353,056
Unrealized foreign exchange loss - net	**172,101**	4,091,096
Provision for doubtful accounts (Note 5)	**37,683**	75,714
Provisions for warranty (Note 11)	**11,904**	358,968
Gain (loss) on sale of property, plant and equipment (Note 7)	**6,016**	(10,861)
Dividend income	**(445)**	(459)
Interest income	**(382,300)**	(568,765)
Gain on fire insurance claim (Note 5)	**(6,951,303)**	–
Losses on derivative assets (Note 20)	–	4,449,857
Operating income before working capital changes	**13,768,120**	6,513,499
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**6,994,176**	(5,628,049)
Inventories	**8,309,535**	(4,957,046)
Other current assets	**546,019**	(629,376)
Noncurrent receivables	**762,141**	535,415
Net pension asset	**(52,226)**	673,077
Increase (decrease) in:		
Accounts payable and accrued expenses	**(4,376,841)**	14,896,703
Provisions	**(6,669,628)**	(430,472)
Net cash generated from operations	**19,281,296**	10,973,751
Interest received	**382,300**	568,765
Dividends received	**445**	459
Interest paid	**(1,493,742)**	(2,515,631)
Income tax paid	**(944,403)**	(1,674,725)
Net cash provided by operating activities	**17,225,896**	7,352,619

(Forward)

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**$1,318,189**	$177,212
Acquisition of:		
Property, plant and equipment (Note 7)	**(1,833,481)**	(7,085,279)
Intangible assets (Note 9)	**–**	(54,506)
Increase in other noncurrent assets	**375,407**	(5,331,020)
Net cash used in investing activities	**(139,885)**	(12,293,593)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to equity holders of the Parent Company (Note 14)	**(3,131,023)**	(6,444,455)
Payments of:		
Loans payable	**(1,773,927)**	(4,833,217)
Long-term debt (Note 13)	**(4,000,000)**	(4,000,000)
Collections of subscriptions receivable (Note 14)	**128,320**	507,441
Acquisition of treasury stock (Note 14)	**–**	(24,175)
Availments of loans	**–**	28,372,798
Net cash provided by (used in) financing activities	**(8,776,630)**	13,578,392
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**(40,445)**	50,882
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,268,936**	8,688,300
CASH AND CASH EQUIVALENTS AT JANUARY 1	**57,604,535**	28,288,830
CASH AND CASH EQUIVALENTS AT JUNE 30 (Note 4)	**$65,873,471**	$36,977,130

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. **Corporate Information**

Integrated Microelectronics, Inc. ("the Parent Company"), a stock corporation organized under the laws of the Republic of the Philippines on August 8, 1980, has three wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. ("IMI Singapore"), IMI USA, Inc. ("IMI USA") and IMI Japan, Inc. ("IMI Japan") (collectively referred to as the "Group"). The Group's parent company is AYC Holdings, Ltd. (AYC), a corporation incorporated in British Virgin Islands. AYC is a subsidiary of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 50.74% owned by Mermac, Inc., 10.54% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is North Science Avenue, Laguna Technopark, Biñan, Laguna.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of Printed Circuit Board Assembly (PCBA), Flip chip assembly, Box build, Sub-assembly, Enclosure system and provider of electronics product design, research and development, product development outsourcing and other electronic parts. The Parent Company is also engaged in the business of providing test development and systems integration services and distributing related products and equipment. These PEZA registrations entitle the Parent Company to a four-year income tax holiday (ITH) and an option to apply for ITH extension for a maximum of three (3) years subject to various PEZA requirements wherein projects and activities are qualified. The Parent Company's entitlements to ITH under the current PEZA registrations have expirations from January 2010 to December 2012 for the different registered activities. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH on these projects and activities, the Parent Company will be subject to a five percent (5%) final tax on gross income earned after certain allowable deductions provided under Republic Act (R.A.) No. 7916 (otherwise known as the "Special Economic Zone Act of 1995") in lieu of payment of national and local taxes.

IMI Singapore was incorporated and is domiciled in Singapore. Its wholly-owned subsidiary, Speedy-Tech Electronics Ltd. (STEL), was incorporated and is domiciled also in Singapore. STEL on its own has subsidiaries located in Hong Kong, China, Singapore and the Philippines. IMI Singapore is engaged in the procurement of raw materials, supplies and provision of customer services. STEL and its subsidiaries are principally engaged in the provision of Electronic Manufacturing Services (EMS) and Power Electronics solutions to original equipment manufacturing customers in the consumer electronics, computer peripherals/IT, industrial equipment, telecommunications and medical device sectors.

IMI USA is at the forefront of technology with regard to precision assembly capabilities including Surface Mount Technology (SMT), Chip on Flex (COF), Chip on Board (COB) and Flip Chip on Flex. It specializes in prototyping low to medium PCBA and sub-assembly. It is also engaged in engineering, design for manufacturing (DFM) technology, advanced manufacturing process development, new product innovations (NPI), direct chip attach and small precision assemblies.

IMI Japan was registered and is domiciled in Japan. IMI Japan's primary purpose is to transact business with Japanese customers in the following areas: (a) turnkey EMS; (b) engineering and design services; and (c) original design manufacturing (ODM) solutions. IMI Japan also functions as central program management for new business in coordination with the Parent Company (wireless), STEL and Subsidiaries (power management) and IMI USA (film chip). IMI Japan will secure programs/projects from Japanese customers and then endorse these to the Parent Company or IMI Singapore. There is no manufacturing operation in IMI Japan.

The accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD) on September 24, 2009.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in compliance with Philippine Accounting Standards (PAS) 34, "Interim Financial Reporting". The unaudited interim condensed consolidated financial statements have been prepared under the historical cost method, except for available-for-sale (AFS) financial assets that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in United States (U.S.) Dollar, which is the Parent Company's and its subsidiaries' functional and presentation currency. All amounts are rounded to the nearest dollar unless otherwise indicated.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2008.

Basis of Consolidation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership		Country of
	2009	2008	Incorporation
IMI USA	**100.00%**	100.00%	USA
IMI Japan	**100.00%**	100.00%	Japan
IMI Singapore	**100.00%**	100.00%	Singapore
Speedy-Tech Electronics Ltd. and Subsidiaries ("STEL and Subsidiaries")	**100.00%**	100.00%	Singapore
Speedy-Tech Technologies Pte. Ltd. ("STTS")	**100.00%**	100.00%	Singapore
Speedy-Tech Electronics (HK) Limited ("STHK")	**100.00%**	100.00%	Hong Kong
Speedy-Tech (Philippines), Inc. ("STPHIL")	**100.00%**	100.00%	Philippines
Shenzhen Speedy-Tech Electronics Co., Ltd. ("SZSTE")	**99.443%**	99.435%	China
Shenzhen Speedy-Tech Technologies Co., Ltd. ("SZSTT")	**100.00%**	100.00%	China
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	USA
Speedy-Tech Electronics (Jiaxing) Co., Ltd. ("STJX")	**100.00%**	100.00%	China
Speedy-Tech Electronics (Chong Qing) Co. Ltd. ("STCQ")	**100.00%**	100.00%	China

3. **Changes in Accounting Policies and Disclosures**

The accounting policies and methods of computation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2008, except for the adoption of the following new and amended standards and interpretations as of January 1, 2009:

- PAS 1, *Presentation of Financial Statements (Revised)*
  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present the unaudited interim consolidated statement of comprehensive income in one single statement.

- PFRS 7, *Financial Instruments: Disclosures*
  The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instruments. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in Note 19, and the liquidity risk disclosures are not significantly affected by the amendments.

- PFRS 8, *Operating Segments*
  This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes.

  Additional disclosures were provided regarding the Group's segment information, consistent with the internal reporting provided to the chief operating decision maker (see Note 17).

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning January 1, 2009, but the adoption of these changes did not have any effect on the Group's unaudited interim condensed consolidated financial statements.

- PAS 23, *Borrowing Costs (Revised)*
  The standard has been revised to require capitalization of borrowing costs on qualifying assets.

- PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
  These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) the instrument is in the most

subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) all instruments in the subordinate class have identical features (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
  The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

- Philippine Interpretation IFRIC 9*, Reassessment of Embedded Derivatives*, and PAS 39, *Financial Instruments: Recognition and Measurement*
  Amendments to this interpretation require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  This interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

<u>Improvements to PFRS</u>
In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PAS 16, *Property, Plant and Equipment*
  - The amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Assets*. The Group amended its accounting policy accordingly, which did not result to any change in its financial position.

- Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities. As the Group does not have such kind of property, plant and equipment, this improvement has no impact to the financial position of the Group.

- PAS 23, *Borrowing Costs*
  - Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method. The Group amended its accounting policy accordingly, which did not result to any change in its financial position.

- PAS 36, *Impairment of Assets*
  - When discounted cash flows are used to estimate 'fair value less costs to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The measurement disclosures are presented in Note 8 of the unaudited interim condensed consolidated financial statements.

- PAS 38, *Intangible Assets*
  - Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

  - Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method. As the Group uses straight-line method in amortizing its intangible assets, this improvement has no impact on the financial position or performance of the Group.

- PAS 40, *Investment Properties*
  - Revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The Group amended its accounting policy accordingly, which did not result to any change in its financial position.

The improvements to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- PAS 1, *Presentation of Financial Statements*
- PAS 19, *Employee Benefits*
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
- PAS 28, *Investment in Associates*
- PAS 29, *Financial Reporting in Hyperinflationary Economies*

- PAS 31, *Interest in Joint Ventures*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 41, *Agriculture*
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

4. **Cash and Cash Equivalents**

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Cash on hand and in banks	**$21,407,414**	$12,741,963
Short-term deposits	**44,466,057**	44,862,572
	$65,873,471	$57,604,535

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

5. **Loans and Receivables**

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Trade	**$61,189,922**	$66,295,146
Nontrade	**4,819,050**	6,344,747
Receivable from Meralco - current	**843,321**	554,612
Receivables from employees	**413,157**	2,062,547
Others	**7,281,645**	363,840
	74,547,095	75,620,892
Less allowance for doubtful accounts	**192,771**	693,657
	$74,354,324	$74,927,235

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms ranging from 30 to 60 days from invoice date.

Nontrade
Nontrade receivables represent billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These receivables have credit terms ranging from 30 to 60 days from invoice date.

Receivable from Meralco
As a customer of the Manila Electric Company (Meralco), the Parent Company will receive a refund for some of its previous billings under Phase IV of Meralco's refund scheme. The Parent Company will receive quarterly payments over 3 years, which started in February 2008 up to February 2011. As of December 31, 2008, receivable from Meralco amounted to $702,387. For the six months ended June 30, 2009, additional receivable amounting to $371,685 was booked by

the Parent Company. Such amount is expected to be collected in 2009. As of June 30, 2009 and December 31, 2008, current portion of the receivables amounted to $843,321 and $554,612, respectively. Receivables expected to be recovered beyond one year amounted to $38,524 and $147,775 as of June 30, 2009 and December 31, 2008, respectively (included under "Noncurrent receivables").

The rollforward of the day 1 discount on the Meralco refund for the six months ended June 30, 2009 and year ended December 31, 2008 follows:

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
At beginning of period	**$80,865**	$180,111
Accretion	**(26,791)**	(99,246)
At end of period	**$54,074**	$80,865

The accretion of the day 1 discount is included under "Interest income" account in the unaudited interim consolidated statement of comprehensive income.

Others
Other receivables include an insurance claim amounting to $6,951,303 for damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu, Philippines in May 2009. The gain from the insurance claim is included under "Miscellaneous income" in the unaudited interim consolidated statements of comprehensive income.

Allowance for doubtful accounts
Trade and nontrade receivables at nominal value of $192,771 and $693,657 were individually provided for with allowance for doubtful accounts as of June 30, 2009 and December 31, 2008, respectively.

Movements in the allowance for doubtful accounts follow:

2009 (Unaudited)

	Trade	**Nontrade**	**Total**
At January 1, 2009	**$254,601**	**$439,056**	**$693,657**
Provision during the period	**12,467**	**25,216**	**37,683**
Accounts written off	**(150,205)**	**(388,364)**	**(538,569)**
At June 30, 2009	**$116,863**	**$75,908**	**$192,771**

2008 (Audited)

	Trade	Nontrade	Total
At January 1, 2008	$795,558	$94,894	$890,452
Provision during the year	166,726	–	166,726
Accounts written off	(328,604)	(3,630)	(332,234)
Reclassification	(362,261)	362,261	–
Adjustments	(16,818)	(14,469)	(31,287)
At December 31, 2008	$254,601	$439,056	$693,657

6. Inventories

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
At cost:		
Raw materials and supplies	**$2,781,137**	$4,030,994
Work-in-process	**3,214,651**	4,975,809
Finished goods	**2,258,701**	4,134,569
	8,254,489	13,141,372
At NRV:		
Raw materials and supplies	**17,216,547**	19,762,841
Work-in-process	**612,186**	1,398,870
Finished goods	**402,096**	1,181,911
	18,230,829	22,343,622
	$26,485,318	$35,484,994

The cost of the inventories carried at net realizable value (NRV) amounted to $24,439,553 and $29,984,238 as of June 30, 2009 and December 31, 2008, respectively. The amount of inventories recognized as an expense amounted to $107,236,015 and $109,355,376 for the six months ended June 30, 2009 and 2008, respectively. Loss on inventory decline, net of reversal, recognized in the unaudited interim consolidated statements of comprehensive income amounted to $259,442 and $353,056 for the six months ended June 30, 2009 and 2008, respectively.

In May 2009, the Parent Company lost inventories amounting to $430,699, due to a fire incident in its plant in Cebu, Philippines (see Note 5). The loss is included under “Miscellaneous expense” in the unaudited interim consolidated statements of comprehensive income.

7. Property, Plant and Equipment

During the six months ended June 30, 2009, the Group acquired machinery and facilities equipment amounting to $1,032,908, furniture, fixtures and office equipment amounting to $603,866, transportation equipment amounting to $23,131, tools and instruments amounting to $35,454 and incurred capitalizable expenses on projects in progress amounting to $79,772. Additions to building improvements amounted to $58,350.

During the six months ended June 30, 2009, the Group also disposed property, plant and equipment with total book value of $1,405,478. This pertains to machinery and facilities equipment amounting to $1,225,008, furniture, fixtures and office equipment amounting to $91,000, transportation equipment amounting to $19,040, and tools and instruments amounting to $70,430. Part of the property, plant and equipment derecognized by the Parent Company pertains to facilities damaged by fire with book value amounting to $81,273 (see Note 5). The loss from the damaged facilities is included under “Miscellaneous expense” in the unaudited interim consolidated statements of comprehensive income.

Starting January 2009, the Parent Company extended the estimated useful life of Surface Mount Technology equipment and other production equipment from five to seven years due to factors which demonstrated that the equipment can be used for more than five years. The change in estimated useful life reduced depreciation expense for the six months ended June 30, 2009 by $1,204,753.

Depreciation and amortization expense included in cost of goods sold and services for the six months ended June 30, 2009 and 2008 amounted to $7,586,295 and $7,797,655, respectively. Depreciation and amortization expense included in operating expenses for the six months ended June 30, 2009 and 2008 amounted to $1,588,712 and $1,631,038, respectively.

8. Goodwill

Goodwill acquired through business combinations that have been allocated to three individual cash-generating units (CGUs) as of June 30, 2009 and December 31, 2008 are as follow:

STEL Group	$45,128,024
Saturn	656,610
M. Hansson Consulting, Inc.	441,166
	$46,225,800

The recoverable amounts of each of the CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 9% in 2009 and 2008, and cash flows beyond the 5-year period are extrapolated using a very conservative steady growth rate of 1%, which does not exceed the compound annual growth rate for the global EMS industry.

Key assumptions used in value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Budgeted gross margins - Gross margins are based on the mix of business model arrangements with the customers whether semi or full turnkey.
- Growth rates - The forecasted growth rate is based on a very conservative steady growth rate which does not exceed the compound annual growth rate for the global EMS industry.
- Pre-tax discount rates - Discount rates reflect management's estimate of the risks specific to each CGU. This is the benchmark used by management to assess operating performance.

With regard to the assessment of value-in-use of the three CGUs, management believes that a 130% increase in the discount rate during the 5-year period, with all other key assumptions held constant, would give a value-in-use equal to the carrying amount of the CGU.

9. Intangible Assets

The Group did not acquire additional intangible assets during the six months ended June 30, 2009.

Amortization of intangible assets included in operating expenses for the six months ended June 30, 2009 and 2008 amounted to $1,346,999 and $1,336,980, respectively. Amortization of intangible assets included in cost of sales for the six months ended June 30, 2009 amounted to $646.

10. Accounts Payable and Accrued Expenses

	June 30 2009 (Unaudited)	December 31, 2008 (Audited)
Trade payables	**$39,389,446**	$40,906,065
Accrued expenses	**14,327,839**	17,372,131
Accrued payroll	**2,968,919**	2,053,852
Taxes payables	**2,539,828**	1,555,130
Customers' deposits	**508,097**	1,073,187
Employee-related payables	**505,087**	698,262
Accrued interest payable (Notes 12 and 13)	**193,822**	567,063
Nontrade payables	**98,566**	348,891
Dividends payable (Note 15)	–	560,727
Others	**4,067,603**	4,651,964
	$64,599,207	$69,787,272

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

Accrued expenses consist mainly of management salaries, light and water, taxes, repairs and maintenance, professional fees, transportation and travel, subcontractual costs, security, insurance and representation.

In 2008, the Group entered into additional structured currency options (see Note 20). The weakening of the peso during the second quarter of 2008 resulted to an unfavorable position on the Group's derivative transactions. In May 2008, the BOD approved the unwinding of four major derivative contracts and the Group incurred unwinding cost amounting to $33,360,500. As of June 30, 2009 and December 31, 2008, outstanding liability on unwinding cost amounted to $2,295,500 shown as part of "Other accounts payable and accrued expenses". "Other payables" are noninterest-bearing and are normally settled within one year.

11. Provisions

2009 (Unaudited)

	Warranty	Restructuring	Total
Balance at January 1, 2009	**$13,238**	**$6,000,000**	**$6,013,238**
Provisions for the period	**11,904**	**782,692**	**794,596**
Reversal of provision/payment	**(6,661)**	**(6,662,967)**	**(6,669,628)**
Balance at June 30, 2009	**$18,481**	**$119,725**	**$138,206**

2008 (Audited)

	Warranty	Restructuring	Total
Balance at January 1, 2008	$1,692,114	$–	$1,692,114
Provisions for the year	510,139	6,000,000	6,510,139
Reversal of provision/payment	(2,189,015)	–	(2,189,015)
Balance at December 31, 2008	$13,238	$6,000,000	$6,013,238

A provision for warranty is recognized for all products under warranty at the balance sheet date based on a percentage of the sales volume and experience with the level of repairs or returns.

The provision for restructuring represents management's best estimate of benefits to be paid to employees of the Parent Company that will be separated as a result of a restructuring of its operations to respond to decline in business activities. The restructuring plan was drawn up in 2008 and the initial announcement was made in January 2009.

12. Loans Payable

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Parent Company	**$8,000,000**	$8,000,000
STEL	**7,336,180**	9,110,107
	$15,336,180	$17,110,107

The loan payable of the Parent Company is a clean 30-day loan obtained from a Philippine bank that is being extended monthly. Interest rates for the six months ended June 30, 2009 range from 4.75% to 5.75%, and 3.38% to 5.75% for the year ended December 31, 2008.

The loans of STEL are clean loans from various Singapore banks, from existing revolving credit facilities. The loans payable bear interests ranging from 1.81% to 4.10% in 2009 and 2.53% to 3.60% in 2008 and have maturities of 30 days from the date of issue with renewal options.

13. **Long-Term Debt**

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Parent Company	**$30,000,000**	$30,000,000
STEL	**20,000,000**	24,000,000
	$50,000,000	$54,000,000

The Parent Company loan is a five-year term clean loan from a Philippine bank obtained in 2006 for the original amount of $40,000,000 and payable in a single balloon payment at the end of the loan term. The Parent Company may, at its option, prepay the loan in part or in full, together with the accrued interest without penalty. Interest on the loan is payable quarterly and re-priced quarterly at the rate of 3-month LIBOR plus margin of 0.80%. The Parent Company prepaid $10,000,000 of the loan principal in 2007.

The IMI Singapore loan is a five-year term clean loan from a Singapore bank obtained in 2006 for the original amount of $40,000,000. The loan is payable in ten (10) equal installments starting in May 2007 until November 2011. Interest on the loan is payable semi-annually and is re-priced semi-annually at LIBOR rate plus 0.75% quoted by the bank.

Scheduled amortization of the long term debt is as follows:

2009 (Unaudited)

2009	$8,000,000
2010 - 2011	42,000,000
	$50,000,000

2008 (Audited)

2009	$8,000,000
2010 - 2011	46,000,000
	$54,000,000

14. **Equity**

Capital Stock

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	Shares	**Amount**	Shares	Amount
Authorized - ₱1 par value				
Common	**1,500,000,000**		1,500,000,000	
Preferred	**1,500,000,000**		1,500,000,000	
Issued - Common				
At beginning of year	**1,137,020,302**	**$20,253,054**	1,135,476,364	$20,223,972
Issuance of shares	**348,455**	**6,583**	1,543,938	29,082
At end of year*	**1,137,368,757**	**$20,259,637**	1,137,020,302	$20,253,054
Issued - Preferred				
At beginning of year	**1,300,000,000**	**$26,601,155**	–	$–
Issuance of shares	–	–	1,300,000,000	26,601,155
At end of year	**1,300,000,000**	**$26,601,155**	1,300,000,000	$26,601,155

* *Out of the total issued shares, 15,892,365 shares as of June 30, 2009 and December 31, 2008, pertain to treasury shares.*

On June 4, 2008, the BOD of the Parent Company approved and authorized the increase in its authorized capital stock from ₱1,500,000,000 consisting of 1,500,000,000 common shares with a par value of ₱1.00 per share, to ₱3,000,000,000, consisting of 1,500,000,000 common shares and 1,500,000,000 preferred shares both with a par value of ₱1.00 per share and the amendment of the Articles of Incorporation to reflect such increase. The BOD also approved and authorized the offering of 1,300,000,000 preferred shares to all existing stockholders of the Parent Company on a pro-rata basis at the par value of ₱1.00 per share. The increase in authorized capital stock, amendment of the Articles of Incorporation and the preferred shares offering were subsequently ratified in the special stockholders' meeting held on June 30, 2008.

The increase in authorized capital stock of the Parent Company and the amended Articles of Incorporation was approved by the Philippine Securities and Exchange Commission (SEC) on November 21, 2008 in accordance with the provisions of Section 38 of the Corporation Code of the Philippines.

The preferred shares have certain features, rights and privileges, which include voting rights, quarterly dividends, cumulative in payment of current dividends, non-participating in any other or further dividends beyond that specifically payable on the shares, non-convertibility to common shares, preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation and in the payment of the dividend at the rate specified, no pre-emptive rights, redeemable at the option of the issuer and certificated.

Subscribed Capital Stock

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	Shares	**Amount**	Shares	Amount
At beginning of period	**108,666,315**	**$2,182,379**	108,671,253	$2,178,004
Subscriptions during the period				
ESOWN	–	–	1,539,000	33,457
Preferred stock	–	–	1,300,000,000	26,601,155
	–	–	1,301,539,000	26,634,612
Issuances during the period				
ESOWN	**(348,455)**	**(6,583)**	(1,543,938)	(29,082)
Preferred stock	–	–	(1,300,000,000)	(26,601,155)
	(348,455)	**(6,583)**	(1,301,543,938)	(26,630,237)
At end of period	**108,317,860**	**$2,175,796**	108,666,315	$2,182,379

Subscriptions Receivable

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	Shares	**Amount**	Shares	Amount
At beginning of period	**111,297,000**	**$10,439,358**	109,758,000	$11,101,002
Subscriptions during the period (Note 16)	–	–	1,539,000	306,137
Collections	–	**(128,320)**	–	(1,635,657)
Accretion (Note 16)	–	**(369,353)**	–	667,876
At end of period	**111,297,000**	**$9,941,685**	111,297,000	$10,439,358

Dividends

On March 26, 2009, the BOD of the Parent Company approved and authorized the declaration and payment of quarterly dividend of 8.25% p.a. or the equivalent of $549,684, out of the unrestricted retained earnings of the Parent Company as of December 31, 2008, to all stockholders of the Parent Company's Preferred Class shares of record as of May 8, 2009. The dividends were paid on May 11, 2009.

Likewise, on March 26, 2009, the BOD of the Parent Company approved and authorized the declaration and payment of cash dividend amounting to $0.00163 per share or the equivalent of $2,004,564, out of the unrestricted retained earnings of the Parent Company as of December 31, 2008, to all common stockholders of the Parent Company as of record date March 26, 2009. Payment was made on June 6, 2009.

On December 16, 2008, the BOD of the Parent Company approved and authorized the declaration and payment of quarterly dividend of 8.25% p.a. or the equivalent of $560,727, out of the unrestricted retained earnings of the Parent Company as of December 31, 2007, to all stockholders of the Parent Company's Preferred Class "B" shares of record as of February 9, 2009. Payment was made on February 14, 2009.

On May 7, 2008, the BOD of the Parent Company approved and authorized the declaration of cash dividends amounting to $0.00873 per share or the equivalent of $10,736,659, out of the unrestricted retained earnings of the Parent Company as of December 31, 2007, to all stockholders of record as of April 30, 2008. Payments were made in June and November 2008 amounting to $6,444,455 and $4,292,204, respectively.

Treasury Stock
The movements in the treasury stock follow:

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	Shares	**Amount**	Shares	Amount
At beginning of period	**15,892,365**	**$1,012,592**	15,745,302	$970,291
Acquisition during the period	**–**	**–**	147,063	42,301
At end of period	**15,892,365**	**$1,012,592**	15,892,365	$1,012,592

Retained Earnings
The appropriated retained earnings will be used to finance the Group's planned expansion and acquisition of other EMS companies.

A portion of the unappropriated retained earnings corresponding to undistributed earnings of subsidiaries, amounting to $19,339,142 and $16,970,321 as of June 30, 2009 and December 31, 2008, respectively, and cost of treasury stock amounting to $1,012,592 as of June 30, 2009 and December 31, 2008, is not available for dividend declaration.

15. Income Taxes

Parent Company
As discussed in Note 1, the Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. The Parent Company's entitlements to ITH under its current PEZA registrations have expirations from January 2010 to December 2012 for the different registered activities. Upon the expiration of the ITH, the Parent Company will be subject to a five percent (5%) final tax on gross income earned after certain allowable deductions in lieu of payment of national and local taxes.

STHK
Hong Kong profits tax has been provided at the rate of 16.5% and 17.5% for the six-months period ended June 30, 2009 and 2008, respectively, on the estimated assessable profit for the period.

SZSTE, SZSTT and STJX
In accordance with the "Income Tax Law of PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

SZSTE is subject to taxation at the statutory tax rate of 20% and 18% for the six-months period ended June 30, 2009 and 2008, respectively, on its taxable income as reported in the financial statements of SZSTE prepared in accordance with the accounting regulations in the PRC.

SZSTT has been dormant for the period under review and thus there is no tax expense for SZSTT. Deferred income tax assets arising from the tax losses of SZSTT is not recognized in the unaudited interim condensed consolidated financial statements due to uncertainty as to whether sufficient taxable income will be available against which the deferred income tax asset can be utilized.

STJX is entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year, that is after all tax losses have been fully offset in accordance with the "Income Tax of the PRC for Enterprises with Foreign Investment and Foreign Enterprises". SJTX is in its fifth profitable year, and hence is subject to taxation at the rate of 25% and 13.2% for the six months ended June 30, 2009 and 2008, respectively, on the taxable income as reported in the financial statements of SJTX prepared in accordance with the accounting regulations in the PRC.

STPHIL
STPHIL is registered with the PEZA as an economic zone export enterprise engaged in the manufacture and distribution of electronic products. As a registered enterprise, it is entitled to certain incentives, including the payment of income tax equivalent to 5% on gross income, as defined under R.A. No. 7916, in lieu of all local and national taxes.

The effective income tax of the Group is accounted for as follows:

	Six Months Ended June 30	
	2009	2008
	(Unaudited)	
Income (loss) before income tax	**$7,376,235**	($15,837,152)
Tax on:		
Income from foreign subsidiaries	**1,342,257**	1,092,674
Income subject to 5% gross income tax	**91,120**	84,406
Income subject to regular tax	**5,819**	179,740
Deferred income tax expense (benefit)	**(81,012)**	(86,977)
Effective income tax	**$1,358,184**	$1,269,843

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.

Deferred income taxes of the Group relate to the tax effects of the following:

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Deferred income tax assets		
Unutilized business loss	**$556,000**	$495,163
Allowance for inventory obsolescence	**386,104**	215,342
Capital allowance	**–**	69,558
Other general provisions	**54,386**	29,874
	996,490	809,937
Deferred income tax liabilities		
Excess of net book value over tax written down value of fixed assets of subsidiaries	**(672,988)**	(677,257)
Revaluation of fixed assets of subsidiaries	**(205,414)**	(104,172)
Others	**(9,571)**	(1,003)
	(887,973)	(782,432)
Net deferred tax assets	**$108,517**	$27,505

16. **ESOWN**

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

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

While the Parent Company remains privately-owned, it reserves the right to repurchase the shares at the original or stipulated subscription price.

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

On February 21, 2007, the Parent Company's BOD approved the granting of 45,150,000 shares of the Parent Company under the ESOWN at the subscription price of ₱12.50 to various employees of STEL and to the Parent Company's top performers and key personnel. In 2008, additional 1,539,000 were granted subject to the same terms as the shares subscribed in 2007. All the granted shares have been subscribed. The grantees will pay for the shares subscribed through installments over a period of 8 years, wherein an initial payment of 2.5% of the value of the subscribed shares is payable upon subscription. It shall serve as a down payment for the subscription. The subscribed shares have a holding period as follows: (a) 40% after one year from subscription date; (b) 30% after two years from subscription date; and (c) 30% after three years from subscription date. The actual grant date of the subscriptions was on October 15, 2007. The fair value, determined based on a private bank's valuation of the Parent Company to be used by a potential investor, was ₱14.98 per share. The difference between the fair value and the subscription price will be recognized as employee benefit expense over the required service period. In 2008, the management has approved a two-year moratorium on the scheduled payments due in November 2008 and 2009 which resulted to an extension of the payment period from eight (8) to ten (10) years. This extension resulted to a net reversal of accretion for the six months ended June 30, 2009.

The employee benefit expense in June 30, 2009 and 2008 amounted to \$301,616 and \$872,261, respectively. The accretion (reversal of accretion) recognized as increase (decrease) in subscriptions receivable and additional paid-in capital presented in the consolidated statement of changes of equity in June 30, 2009 and December 31, 2008 amounted to (\$369,353) and \$667,876, respectively (see Note 14).

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, gross profit, operating income, and net income before and after tax.

No operating segments have been aggregated to form a reportable segment.

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

The following tables present revenue and profit information regarding the Group's geographical segments for the six months ended June 30, 2009 and 2008.

June 30, 2009 (Unaudited)	**Philippines**	**Singapore**	**USA**	**Japan**	**Eliminations**	**Total**
Revenue						
Third party	**$71,138,817**	**$98,035,371**	**$26,118**	**$169,296**	**$–**	**$169,369,602**
Inter-segment	**–**	**15**	**1,019,985**	**265,196**	**(1,285,196)**	**–**
Total revenue	**$71,138,817**	**$98,035,386**	**$1,046,103**	**$434,492**	**($1,285,196)**	**$169,369,602**
Segment gross profit	**$6,551,410**	**$11,209,894**	**$949,385**	**$233,863**	**($1,136,236)**	**$17,808,316**
Segment operating income (loss)	**($3,183,587)**	**$3,837,038**	**($4,770)**	**($219,225)**	**$–**	**$429,456**
Segment interest income	**$362,059**	**$20,135**	**$–**	**$106**	**$–**	**$382,300**
Segment profit (loss) before income tax	**$3,724,409**	**$3,881,074**	**($4,991)**	**($214,257)**	**$–**	**$7,386,235**
Segment provision for income tax	**(96,938)**	**(1,261,225)**	**–**	**(21)**	**–**	**(1,358,184)**
Segment profit (loss) after income tax	**$3,627,471**	**$2,619,849**	**($4,991)**	**($214,278)**	**$–**	**$6,028,051**

June 30, 2008 (Unaudited)	Philippines	Singapore	USA	Japan	Eliminations	Total
Revenue						
Third party	$122,846,401	$ 107,044,509	$ 205,943	$36,096	$–	$230,132,949
Inter-segment	100,561	–	1,151,551	92,786	(1,344,898)	–
Total revenue	$122,946,962	$107,044,509	$1,357,494	$128,882	($1,344,898)	$230,132,949
Segment gross profit	$25,690,757	$14,514,826	$1,224,025	$3,446	($1,153,933)	$40,279,121
Segment operating Income (loss)	$13,424,820	$3,700,409	$145,874	($210,691)	$–	$17,060,412
Segment interest income	$513,795	$54,895	$75	$–	$–	$568,765
Segment profit (loss) before tax	($18,040,457)	$2,265,074	$145,842	($207,611)	$–	($15,837,152)
Segment provision for income tax	(264,147)	(1,005,681)	–	(15)	–	(1,269,843)
Segment profit (loss) after income tax	($18,304,604)	$1,259,393	$145,842	($207,626)	$–	($17,106,995)

Inter-segment revenues, cost of sales and operating expenses are eliminated on consolidation.

For the six months ended June 30, 2009, the operating income (loss) and profit (loss) before and after tax for each operating segment include net profit from inter-segment revenues aggregating to $1,285,196 and inter-segment cost of sales and operating expenses aggregating to $148,960 and $1,136,236, respectively.

For the six months ended June 30, 2008, the operating income (loss) and profit (loss) before and after tax for each operating segment include net profit from inter-segment revenues aggregating to $1,344,898 and inter-segment cost of sales and operating expenses aggregating to $190,965 and $1,153,933, respectively.

The following table presents segment assets of the Group's geographical segments as of June 30, 2009 and December 31, 2008.

	Philippines	**Singapore**	**USA**	**Japan**	**Eliminations**	**Total**
Segment assets						
June 30, 2009	**$212,895,257**	**$178,077,259**	**$2,574,675**	**$725,485**	**($100,243,391)**	**$294,029,285**
December 31, 2008	$216,258,910	$186,873,755	$2,597,630	$497,835	($99,270,310)	$306,957,820

Segment assets as of June 30, 2009 do not include investments in subsidiaries amounting to $3,978,389 and inter-segment loans and receivables amounting to $96,265,001 which are eliminated on consolidation.

The following table presents revenues to external customers:

	Revenues from External Customers		Noncurrent Assets	
	June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)	**June 30, 2009 (Unaudited)**	December 31, 2008 (Audited)
Philippines	**$42,439,627**	$86,230,634	**27,657,080**	$30,259,839
USA	**40,242,744**	52,166,353	**752,356**	781,319
Europe	**49,700,060**	47,667,460	**–**	–
Asia	**27,770,609**	33,927,462	**88,735,117**	96,196,528
Japan	**9,216,562**	10,141,040	**27,165**	28,035
	$169,369,602	$230,132,949	**$117,171,718**	$127,265,721

Revenues are attributed to countries on the basis of the customer's location. Revenues from one customer from Philippine segment represent $16,914,000 or 10% of the Group's total revenues for the six months ended June 30, 2009. For the six months ended June 30, 2008, another customer from the Philippine segment account for $45,415,000 or 20% of the Group's total revenues.

Non-current assets, which include property, plant and equipment, goodwill, and intangible assets, are disclosed according to its physical location.

18. Related Party Transactions

BPI

The Group has the following transactions with BPI and BPI Family Bank, affiliates through AC:

a. The Group maintains savings and current accounts and short-term deposits, the balances of which follow:

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Savings and current accounts	**$545,097**	$656,710
Short-term deposits	**6,407,771**	22,925,589
	$6,952,868	$23,582,299

b. The Group has outstanding housing and automobile financing loans amounting to $15,936 and $17,535, as of June 30, 2009 and December 31, 2008, respectively, included in "Accounts payable and accrued expenses" account. The outstanding housing and automobile financing loans arise from the differences in the timing of remittances by the Parent Company to BPI and the period of withholding from employee salaries and wages.

19. Fair Value of Financial Instruments

As of June 30, 2009 and December 31, 2008, the financial instruments carried at fair value only pertain to the Group's available-for-sale financial assets, which consist of investments in club shares. The fair values of these club shares are based on quoted prices (Level 1). 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.

20. Financial Risk Management Objectives and Policies

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

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

The Group's risk management policies are summarized below:

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

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 of floating rate borrowings) as of June 30, 2009 and December 31, 2008. There is no other impact on the Group's equity other than those already affecting income.

	Effect on profit before tax	
Increase/decrease in basis points	**2009 (Unaudited)**	2008 (Audited)
+100	**($250,000)**	($540,000)
-100	**250,000**	540,000

The following table shows the information about the Group's financial instruments as of June 30, 2009 and December 31, 2008 that are exposed to interest rate risks and presented by maturity profile.

	Long-Term Debt LIBOR Plus margin of 0.75% to 0.80%	
	2009 (Unaudited)	2008 (Audited)
Within one year	**$8,000,000**	$8,000,000
1-2 years	**8,000,000**	8,000,000
2-3 years	**4,000,000**	8,000,000
3-4 years	**30,000,000**	30,000,000
	$50,000,000	$54,000,000

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projects and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks.

Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

July 30, 2009 (Unaudited)

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Accounts payable and accrued expenses					
Trade payables	**$39,389,446**	**$–**	**$–**	**$–**	**$39,389,446**
Accrued expenses	**14,327,839**	**–**	**–**	**–**	**14,327,839**
Accrued payroll	**2,968,919**	**–**	**–**	**–**	**2,968,919**
Customers' deposits	**508,097**	**–**	**–**	**–**	**508,097**
Employee-related payables	**505,087**	**–**	**–**	**–**	**505,087**
Accrued interest payable	**193,822**	**–**	**–**	**–**	**193,822**
Nontrade payables	**98,566**	**–**	**–**	**–**	**98,566**
Others	**9,427,592**	**–**	**–**	**–**	**9,427,592**
Loans payable	**–**	**16,335,032**	**–**	**–**	**16,335,032**
Long-term debt	**–**	**–**	**10,523,343**	**43,798,245**	**54,321,588**
	$67,419,368	**$16,335,032**	**$10,523,343**	**$43,798,245**	**$138,075,988**

December 31, 2008 (Audited)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and accrued expenses					
Trade payables	$40,906,065	$–	$–	$–	$40,906,065
Accrued expenses	17,372,131	–	–	–	17,372,131
Accrued payroll	2,053,852	–	–	–	2,053,852
Customers' deposits	1,073,187	–	–	–	1,073,187
Employee-related payables	698,262	–	–	–	698,262
Accrued interest payable	567,063	–	–	–	567,063
Dividends payable	560,727	–	–	–	560,727
Nontrade payables	348,891	–	–	–	348,891
Others	4,651,964	–	–	–	4,651,964
Loans payable	–	17,628,768	–	–	17,628,768
Long-term debt	–	–	10,106,069	49,757,862	59,863,931
	$68,232,142	$17,628,768	$10,106,069	$49,757,862	$145,724,841

Credit Lines

The Group has credit lines with different financing institutions as of June 30, 2009 and December 31, 2008 as follow:

June 30, 2009 (Unaudited)

Financial Institutions	**Credit Limit**	**Available Credit Line**
Local		
U.S. Dollar	**$36,000,000**	**$28,000,000**
Philippine Peso	**₱1,060,000,000**	**₱1,060,000,000**
Foreign		
U.S. Dollar	**$26,200,000**	**$25,704,388**
Singapore Dollar	**SGD1,700,000**	**SGD293,454**

December 31, 2008 (Audited)

Financial Institutions	Credit Limit	Available Credit Line
Local		
U.S. Dollar	$36,000,000	$28,000,000
Philippine Peso	₱1,060,000,000	₱1,060,000,000
Foreign		
U.S. Dollar	$33,900,000	$33,199,721
Singapore Dollar	SGD31,183,827	SGD17,167,417
Hong Kong Dollar	HKD38,152,443	HKD38,152,443

Credit risk
Credit risk is the risk that the Group's counterparty to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash in bank, short-term investments and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Cash terms, advance payments and letters of credit are required for customers of lower credit standing.

With respect to credit risk arising from other financial assets of the Group, which comprises cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

The table below shows the maximum exposure to credit risk for the components of the condensed consolidated balance sheet.

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Cash and cash equivalents (excluding cash on hand)	**$65,802,377**	$57,548,564
Loans and receivables		
Trade	**61,073,059**	66,040,545
Nontrade	**4,743,142**	5,905,691
Receivable from Meralco – current	**843,321**	554,612
Receivables from employees	**413,157**	2,062,547
Others	**7,281,645**	363,840
Noncurrent receivables	**2,159,874**	2,922,015
Miscellaneous deposits	**829,103**	924,564
AFS financial assets	**266,466**	265,046
Total credit risk exposure	**$143,412,144**	$136,587,424

The Group has 33% and 30% of trade receivables relating to three (3) major customers as of June 30, 2009 and December 31, 2008, respectively.

The analysis of loans and receivables, noncurrent receivables and miscellaneous deposits as of June 30, 2009 and December 31, 2008, follow:

June 30, 2009 (Unaudited)

		Neither past due nor	Past due but not impaired					Specifically
	Total	impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days	impaired
Trade	**$61,148,381**	**$58,008,690**	**$1,741,323**	**$834,873**	**$23,761**	**$318,621**	**$104,250**	**$116,863**
Nontrade	**4,819,050**	**4,496,541**	**109,065**	**8,251**	**2,823**	**381**	**126,081**	**75,908**
Receivable from Meralco	**843,321**	**843,321**	–	–	–	–	–	–
Receivables from employees	**413,157**	**412,693**	–	**464**	–	–	–	–
Others	**7,281,645**	**7,227,130**	**22,141**	**21,930**	**4,519**	**2,730**	**3,195**	–
	$74,505,554	**$70,988,375**	**$1,872,529**	**$865,518**	**$31,103**	**$321,732**	**$233,526**	**$192,771**
Noncurrent receivables	**$2,159,874**	**$2,159,874**	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**
Miscellaneous deposits	**$829,103**	**$829,103**	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**

December 31, 2008 (Audited)

		Neither past due nor	Past due but not impaired					Specifically
	Total	impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days	impaired
Trade	$66,295,146	$61,711,292	$2,872,671	$1,012,534	$5,126	$–	$438,922	$254,601
Nontrade	6,344,747	4,188,218	427,040	69,264	8,312	579,345	633,512	439,056
Receivable from Meralco	554,612	554,612	–	–	–	–	–	–
Receivables from employees	2,062,547	2,062,547	–	–	–	–	–	–
Others	363,840	42,261	81,019	88,163	48,023	35,122	69,252	–
	$75,620,892	$68,558,930	$3,380,730	$1,169,961	$61,461	$614,467	$1,141,686	$693,657
Noncurrent receivables	$2,922,015	$2,922,015	$–	$–	$–	$–	$–	$–
Miscellaneous deposits	$924,564	$924,564	$–	$–	$–	$–	$–	$–

The following tables summarize the credit quality of the Group's financial assets as of June 30, 2009 and December 31, 2008:

June 30, 2009 (Unaudited)

	Neither past due nor impaired				Past due or individually	
	Minimal risk	Average risk	Fairly high risk	High risk	impaired	Total
Cash and cash equivalents	**$65,802,377**	**$–**	**$–**	**$–**	**$–**	**$65,802,377**
Loans and receivables						
Trade	**18,302,139**	**15,342,874**	**23,362,212**	**1,001,465**	**3,181,232**	**61,189,922**
Nontrade	**3,231,552**	**1,171,681**	**39,433**	**53,875**	**322,509**	**4,819,050**
Receivable from employees	**3,352**	**290,943**	**118,398**	–	**464**	**413,157**
Receivable from Meralco	**471,636**	**371,685**	–	–	–	**843,321**
Others	**169,211**	**6,960,296**	**97,623**	–	**54,515**	**7,281,645**
Noncurrent receivables	**2,159,874**	–	–	–	–	**2,159,874**
Miscellaneous deposits	**829,103**	–	–	–	–	**829,103**
AFS financial assets	**266,466**	–	–	–	–	**266,466**
	$91,235,710	**$24,137,479**	**$23,617,666**	**$1,055,340**	**$3,558,720**	**$143,604,915**

December 31, 2008 (Audited)

	Neither past due nor impaired				Past due or individually impaired	Total
	Minimal risk	Average risk	Fairly high risk	High risk		
Cash and cash equivalents	$57,548,564	$–	$–	$–	$–	$57,548,564
Loans and receivables						
Trade	18,008,808	27,465,969	16,167,232	69,283	4,583,854	66,295,146
Nontrade	365,742	3,810,589	11,887	–	2,156,529	6,344,747
Receivable from employees	2,062,547	–	–	–	–	2,062,547
Receivable from Meralco	554,612	–	–	–	–	554,612
Others	42,261	–	–	–	321,579	363,840
Noncurrent receivables	2,922,015	–	–	–	–	2,922,015
Miscellaneous deposits	924,564	–	–	–	–	924,564
AFS financial assets	265,046	–	–	–	–	265,046
	$82,694,159	$31,276,558	$16,179,119	$69,283	$7,061,962	$137,281,081

The Group classifies credit quality as follows:

Minimal Risk - credit can proceed with favorable credit terms; can offer term of 15 days to a maximum of 45 days.

Average Risk - credit can proceed normally; can extend term of 15 days to a maximum of 30 days.

Fairly High Risk - credit could be extended under a confirmed and irrevocable Letter of Credit at sight or usance, and subject to semi-annual review for possible upgrade.

High Risk - transaction should be under advance payment or confirmed and irrevocable Stand-By Letter of Credit; subject to quarterly review for possible upgrade after one year.

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

The Group also has transactional currency exposures. Such exposure arises from sales or purchases other than the Group's functional currency. Approximately 25% and 14% of the Group's sales for the six months ended June 30, 2009 and 2008, respectively, and 41% and 68% of costs for the six months ended June 30, 2009 and 2008, respectively, are denominated in other than the Group's functional currency.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider to hedge any material exposure where appropriate.

Information on Group's foreign currency-denominated monetary assets and liabilities and their U.S. Dollar equivalents follows:

Philippine Peso (₱)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Philippine Peso**	In U.S. Dollar	In Philippine Peso
Cash and cash equivalents	**$3,240,709**	**₱155,975,324**	$16,469,632	₱782,636,910
Loans and receivables	**1,842,702**	**88,689,227**	2,058,033	97,797,742
AFS financial assets	**276,647**	**13,315,000**	265,046	12,594,986
Noncurrent receivables	**101,286**	**4,874,899**	2,922,015	138,854,153
Miscellaneous deposits	**766,155**	**36,875,064**	924,564	43,935,281
Accounts payable and accrued expenses	**(9,704,094)**	**(467,058,038)**	(11,221,693)	(533,254,828)
Net foreign currency-denominated assets (liabilities)	**($3,476,595)**	**($167,328,524)**	$11,417,597	₱542,564,244

Singapore Dollar (SGD)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Singapore Dollar**	In U.S. Dollar	In Singapore Dollar
Cash and cash equivalents	**$43,667**	**SGD63,317**	$838,489	SGD1,216,480
Loans and receivables	**96,533**	**139,974**	41,610	60,367
Accounts payable and accrued expenses	**(1,369,204)**	**(1,985,346)**	(680,295)	(986,972)
Loans payable	**–**	**–**	(4,790,107)	(6,949,487)
Net foreign currency-denominated liabilities	**($1,229,004)**	**(SGD1,782,055)**	($4,590,303)	(SGD6,659,612)

Euro (€)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Euro**	In U.S. Dollar	In Euro
Cash and cash equivalents	**$831,884**	**€590,659**	$116,310	€83,370
Loans and receivables	**1,059,622**	**752,359**	116,887	83,784
Accounts payable and accrued expenses	**(118,348)**	**(84,030)**	(1,004,949)	(720,342)
Net foreign currency-denominated assets (liabilities)	**$1,773,158**	**€1,258,988**	($771,752)	(€553,188)

Japanese Yen (¥)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Japanese Yen**	In U.S. Dollar	In Japanese Yen
Cash and cash equivalents	**$407,340**	**¥39,107,190**	$492,884	¥44,823,969
Loans and receivables	**1,699,086**	**163,122,700**	1,016,232	92,418,322
Accounts payable and accrued expenses	**(1,533,392)**	**(147,215,023)**	(881,616)	(80,176,042)
Net foreign currency-denominated assets	**$573,034**	**¥55,014,867**	$627,500	¥57,066,249

Renminbi (RMB)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Renminbi**	In U.S. Dollar	In Renminbi
Cash and cash equivalents	**$7,949,537**	**RMB54,325,717**	$2,410,383	RMB16,507,549
Loans and receivables	**17,749,527**	**121,297,110**	19,402,943	132,881,407
Accounts payable and accrued expenses	**(34,093,656)**	**(232,989,976)**	(15,053,845)	(103,096,530)
Net foreign currency-denominated assets (liabilities)	**($8,394,592)**	**(RMB57,367,149)**	$6,759,481	RMB46,292,426

Hong Kong Dollar (HK$)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Hong Kong Dollar**	In U.S. Dollar	In Hong Kong Dollar
Cash and cash equivalents	**$ 5,734**	**HK$ 44,435**	$56,847	HK$440,544
Loans and receivables	**109,715**	**850,297**	167,825	1,300,593
Accounts payable and accrued expenses	**(862,615)**	**(6,685,280)**	(1,556,222)	(12,060,279)
Net foreign currency-denominated liabilities	**(HK$747,166)**	**(HK$5,790,548)**	($1,331,550)	(HK$10,319,142)

Swiss Franc (₣)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Swiss Franc**	In U.S. Dollar	In Swiss Franc
Accounts payable and accrued expenses	**$–**	**₣–**	($11,494)	(₣12,500)

UK Pound (₤)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In UK Pound**	In U.S. Dollar	In UK Pound
Loans and receivables	**$213**	**₤144**	$213	₤144

Australian Dollar (AUD)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Australian Dollar**	In U.S. Dollar	In Australian Dollar
Accounts payable and accrued expenses	**($45,309)**	**(AUD56,138)**	$–	AUD–

South Korean Won (KRW)

	June 30, 2009 (Unaudited)		December 31, 2008 (Audited)	
	In U.S. Dollar	**In Australian Dollar**	In U.S. Dollar	In Australian Dollar
Accounts payable and accrued expenses	**($52,785)**	**(KRW67,500,000)**	$–	KRW–

Sensitivity analysis
The following table demonstrates sensitivity to a reasonably possible change in the U.S. Dollar exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2009 and December 31, 2008. There is no other impact on the Group's equity other than those already affecting the income. The increase in U.S. Dollar rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger U.S. Dollar value.

June 30, 2009 (Unaudited)

Currency	**Increase/decrease in U.S. Dollar rate**	**Effect on profit before tax**
PHP	**+1%**	**($48,642)**
	-1%	**48,642**
SGD	**+2%**	**(24,570)**
	-2%	**24,570**
JPY	**+3%**	**16,038**
	-3%	**(16,038)**
EUR	**+4%**	**65,133**
	-4%	**(65,133)**
RMB	**+1%**	**(101,314)**
	-1%	**101,314**
HKD	**+1%**	**(7,979)**
	-1%	**7,979**
GBP	**+4%**	**9**
	-4%	**(9)**
AUD	**+5%**	**(2,261)**
	-5%	**2,261**
KRW	**+2%**	**(1,280)**
	-2%	**1,280**

December 31, 2008 (Audited)

Currency	Increase/decrease in U.S. Dollar rate	Effect on profit before tax
PHP	+3%	$342,528
	-3%	(342,528)
SGD	+2%	(91,806)
	-2%	91,806
JPY	+4%	25,100
	-4%	(25,100)
EUR	+3%	(23,153)
	-3%	23,153
RMB	+1%	67,595
	-1%	(67,595)
CHF	+4%	(460)
	-4%	460
GBP	+3%	6
	-3%	(6)

Derivative Instruments
The Group entered into structured currency options that are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statements of comprehensive income under “Foreign exchange gains (losses)”.

In 2008, the Group entered into additional structured currency options. The weakening of the peso during the second quarter of 2008 resulted to an unfavorable position on the Group’s derivative transactions. In May 2008, the BOD approved the unwinding of four major derivative contracts and the Group incurred unwinding cost amounting to $33,360,500. Outstanding liability on unwinding cost as of June 30, 2009 amounted to $2,295,500 shown as part of “Other accounts payable and accrued expenses”.

The remaining outstanding structured currency options after the unwinding program matured up to November 2008. There are no outstanding structured currency options as of June 30, 2009.

Fair Value Changes
The net movement in fair value changes of the Group’s derivative instruments as of June 30, 2009 and 2008 follows:

	2009	2008
	(Unaudited)	
Balance at beginning of year	**$–**	$ 2,042,019
Net changes in fair value of derivatives not designated as accounting hedges	–	(31,892,018)
	–	(29,849,999)
Fair value of settled instruments	–	29,737,661
Balance at June 30	**$–**	($112,338)

The net changes in fair value of derivative instruments not designated as accounting hedges are recognized in the unaudited interim condensed consolidated statements of comprehensive income as part of “Foreign exchange gains (losses)”.

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

The Group is not subject to externally imposed capital requirements.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity. Debt consists of loans payable and long-term debt. Net debt includes loans payable and long-term debt less cash and cash equivalents. The Group considers as capital the equity attributable to the equity holders of the Parent Company.

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Loans payable	**$15,336,180**	$17,110,107
Long-term debt	**50,000,000**	54,000,000
Total debt	**65,336,180**	71,110,107
Less: Cash and cash equivalents	**(65,873,471)**	(57,604,535)
Net debt	**($537,291)**	$13,505,572
Equity attributable to equity holders of the Parent Company	**$163,516,907**	$159,630,930
Debt to equity ratio	**40%**	45%
Net debt to equity ratio	**0%**	8%

21. **Contingencies**

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*", is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

Under certain consignment contracts with certain customers, the Group receives materials and machineries deemed necessary to enable the Group to schedule production efficiently. These, however, are not included in the inventory and property, plant and equipment accounts.

22. **Subsequent Events**

On August 8, 2007, the BOD unanimously passed and approved a resolution authorizing the Parent Company to undertake a Listing by Way of Introduction of its 1,268,497,252 common shares with a par value of ₱1.00 with the PSE to provide a liquidity mechanism for the existing stockholders of the Parent Company.

The same Board Resolution mentioned above authorizes any two of the Attorneys-in-Fact of the Parent Company to perform such acts and deeds and to sign, execute and file with the PSE and the SEC the required and appropriate application and other papers and documents related thereto.

On September 15, 2009, the Parent Company initially filed the Registration Statement together with the prospectus with the SEC.

As of September 24, 2009, the SEC filing is expected to be included in the agenda for the Commission En Banc on October 1, 2009. Listing with the PSE is anticipated to be completed before the end of the year.

ANNEX B

Consolidated Financial Statements
December 31, 2008 and 2007
and years ended December 31, 2008, 2007 and 2006

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Integrated Microelectronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have audited the accompanying consolidated financial statements of Integrated Microelectronics, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Integrated Microelectronics, Inc. and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Gemilo J. San Pedro
Partner
CPA Certificate No. 32614
SEC Accreditation No. 0094-AR-1
Tax Identification No. 102-096-610
PTR No. 1566465, January 5, 2009, Makati City

March 26, 2009

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2008	2007 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 29, 30 and 31)	**$57,604,535**	$28,288,830
Derivative assets (Notes 30 and 31)	**–**	2,042,019
Loans and receivables (Notes 3, 5, 30 and 31)	**74,927,235**	81,850,454
Inventories (Notes 3 and 6)	**35,484,994**	43,666,432
Other current assets (Note 7)	**3,412,706**	2,142,200
Total Current Assets	**171,429,470**	157,989,935
Noncurrent Assets		
Noncurrent receivables (Notes 5, 30 and 31)	**2,922,015**	5,230,875
Property, plant and equipment (Notes 3, 8 and 27)	**75,907,230**	83,594,209
Investment properties (Notes 3 and 9)	**–**	–
Goodwill (Notes 3, 10 and 27)	**46,225,800**	46,225,800
Intangible assets (Notes 3, 11 and 27)	**5,132,691**	7,747,853
Net pension asset (Note 25)	**2,453,430**	3,320,904
Available-for-sale financial assets (Notes 3, 30 and 31)	**265,046**	360,465
Deferred income tax assets (Notes 3 and 24)	**27,505**	53,175
Other noncurrent assets (Note 12)	**2,594,633**	1,237,245
Total Noncurrent Assets	**135,528,350**	147,770,526
	$306,957,820	$305,760,461

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13, 30 and 31)	**$69,787,272**	$74,507,932
Provisions (Note 14)	**6,013,238**	1,692,114
Loans payable (Notes 15, 30 and 31)	**17,110,107**	9,007,819
Current portion of long-term debt (Notes 16, 30 and 31)	**8,000,000**	8,000,000
Total Current Liabilities	**100,910,617**	93,207,865
Noncurrent Liability		
Long-term debt (Notes 16, 30 and 31)	**46,000,000**	54,000,000
Total Liabilities	**146,910,617**	147,207,865

(Forward)

	December 31	
	2008	2007 (As restated)
Equity (Note 17)		
Equity attributable to equity holders of the Parent Company		
Capital stock - common	**$20,253,054**	$20,223,972
Capital stock - preferred	**26,601,155**	–
Subscribed capital stock	**2,182,379**	2,178,004
Additional paid-in capital	**30,213,723**	27,788,669
Subscriptions receivable	**(10,439,358)**	(11,101,002)
Retained earnings:		
Appropriated for expansion	**60,660,981**	60,660,981
Unappropriated	**31,091,806**	59,219,281
Treasury stock	**(1,012,592)**	(970,291)
Reserve for fluctuation on available-for-sale financial assets	**23,979**	116,147
Other reserves	**55,803**	36,441
	159,630,930	158,152,202
Minority interests in a consolidated subsidiary	**416,273**	400,394
Total Equity	**160,047,203**	158,552,596
	$306,957,820	$305,760,461

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007 (As restated)	2006 (As restated)
REVENUES FROM SALES AND SERVICES (Notes 18 and 27)	**$441,144,682**	$422,107,356	$395,001,930
COST OF GOODS SOLD AND SERVICES (Notes 19 and 21)	**370,368,070**	330,786,382	308,860,163
GROSS PROFIT	**70,776,612**	91,320,974	86,141,767
OPERATING EXPENSES (Notes 20 and 21)	**(54,099,275)**	(53,257,069)	(43,464,588)
OTHERS - Net			
Foreign exchange gains (losses) (Note 31)	**(30,458,199)**	1,872,799	(159,284)
Interest and bank charges (Note 22)	**(3,593,609)**	(5,059,686)	(6,143,402)
Interest income (Note 23)	**1,141,601**	1,455,519	760,490
Miscellaneous (Note 5)	**1,882,524**	2,129,386	445,927
INCOME (LOSS) BEFORE INCOME TAX	**(14,350,346)**	38,461,923	37,580,910
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**2,406,332**	3,185,181	3,040,033
Deferred	**25,670**	(483,183)	(178,197)
	2,432,002	2,701,998	2,861,836
NET INCOME (LOSS)	**($16,782,348)**	$35,759,925	$34,719,074
Attributable to:			
Equity holders of the Parent Company	**($16,830,089)**	$35,692,542	$34,674,981
Minority interest	**47,741**	67,383	44,093
Net income (loss)	**($16,782,348)**	$35,759,925	$34,719,074

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common (Note 17)	Capital Stock - Preferred (Note 17)	Subscribed Capital Stock (Note 17)	Additional Paid-in Capital	Subscriptions Receivable (Note 17)	Retained Earnings Appropriated for Expansion (Note 17)	Retained Earnings Unappropriated	Treasury Stock (Note 17)	Reserve for Fluctuation on Available-for-Sale Financial Assets	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2008, as previously stated	**$20,223,972**	**$–**	**$2,178,004**	**$27,788,669**	**($11,101,002)**	**$60,660,981**	**$58,378,306**	**($970,291)**	**$116,147**	**$–**	**$386,434**	**$157,661,220**
Adjustments as a result of change in reporting period of subsidiary (Note 2)	–	–	–	–	–	–	**840,975**	–	–	**36,441**	**13,960**	**891,376**
Balances at January 1, 2008, as restated	**20,223,972**	–	**2,178,004**	**27,788,669**	**(11,101,002)**	**60,660,981**	**59,219,281**	**(970,291)**	**116,147**	**36,441**	**400,394**	**158,552,596**
Shares issued during the year	**29,082**	**26,601,155**	**(26,630,237)**	–	–	–	–	–	–	–	–	–
Subscriptions during the year	–	–	**26,634,612**	**272,680**	**(306,137)**	–	–	–	–	–	–	**26,601,155**
Cost of share-based payments (Note 26)	–	–	–	**1,484,498**	–	–	–	–	–	–	–	**1,484,498**
Collections on subscriptions	–	–	–	–	**1,635,657**	–	–	–	–	–	–	**1,635,657**
Accretion of subscriptions receivable (Note 26)	–	–	–	**667,876**	**(667,876)**	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	–	–	–	**(42,301)**	–	–	–	**(42,301)**
Dilution of minority interest	–	–	–	–	–	–	–	–	–	**19,362**	**(19,362)**	–
Dividends (Note 17)	–	–	–	–	–	–	**(11,297,386)**	–	–	–	**(12,500)**	**(11,309,886)**
	20,253,054	**26,601,155**	**2,182,379**	**30,213,723**	**(10,439,358)**	**60,660,981**	**47,921,895**	**(1,012,592)**	**116,147**	**55,803**	**368,532**	**176,921,719**
Fair value changes on available-for-sale financial assets	–	–	–	–	–	–	–	–	**(92,168)**	–	–	**(92,168)**
Net income (loss)	–	–	–	–	–	–	**(16,830,089)**	–	–	–	**47,741**	**(16,782,348)**
Total recognized income (loss)	–	–	–	–	–	–	**(16,830,089)**	–	**(92,168)**	–	**47,741**	**(16,874,516)**
Balances at December 31, 2008	**$20,253,054**	**$26,601,155**	**$2,182,379**	**$30,213,723**	**($10,439,358)**	**$60,660,981**	**$31,091,806**	**($1,012,592)**	**$23,979**	**$55,803**	**$416,273**	**$160,047,203**

	Attributable to Equity Holders of the Parent Company										
					Retained Earnings						
	Capital Stock - Common (Note 17)	Subscribed Capital Stock (Note 17)	Additional Paid-in Capital	Subscriptions Receivable (Note 17)	Appropriated for Expansion (Note 17)	Retained Earnings Unappropriated	Treasury Stock (Note 17)	Reserve for Fluctuation on Available-for-Sale Financial Assets	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2007, as previously stated	$20,203,502	$1,216,952	$18,153,801	($1,275,588)	$60,660,981	$33,010,237	($964,638)	$–	$–	$455,469	$131,460,716
Adjustments as a result of change in reporting period of subsidiary (Note 2)	–	–	–	–	–	952,788	–	–	3,114	6,609	962,511
Balances at January 1, 2007, as restated	20,203,502	1,216,952	18,153,801	(1,275,588)	60,660,981	33,963,025	(964,638)	–	3,114	462,078	132,423,227
Shares issued during the year	20,470	(20,470)	–	–	–	–	–	–	–	–	–
Subscriptions during the year	–	981,522	8,664,645	(9,646,167)	–	–	–	–	–	–	–
Cost of share-based payments (Note 26)	–	–	396,962	–	–	–	–	–	–	–	396,962
Collections on subscriptions	–	–	–	394,014	–	–	–	–	–	–	394,014
Accretion of subscriptions receivable (Note 26)	–	–	573,261	(573,261)	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	–	–	(5,653)	–	–	–	(5,653)
Dividends (Note 17)	–	–	–	–	–	(10,436,286)	–	–	–	(95,740)	(10,532,026)
Dilution of minority interest, as previously stated	–	–	–	–	–	–	–	–	–	(39,071)	(39,071)
Adjustments as a result of change in reporting period of subsidiary (Note 2)	–	–	–	–	–	–	–	–	33,327	5,744	39,071
Dilution of minority, as restated	–	–	–	–	–	–	–	–	33,327	(33,327)	–
	20,223,972	2,178,004	27,788,669	(11,101,002)	60,660,981	23,526,739	(970,291)	–	36,441	333,011	122,676,524
Fair value changes on available-for-sale financial assets	–	–	–	–	–	–	–	116,147	–	–	116,147
Net income, as previously stated	–	–	–	–	–	35,804,355	–	–	–	65,776	35,870,131
Adjustments as a result of change in reporting period of subsidiary (Note 2)	–	–	–	–	–	(111,813)	–	–	–	1,607	(110,206)
Net income, as restated	–	–	–	–	–	35,692,542	–	–	–	67,383	35,759,925
Total recognized income	–	–	–	–	–	35,692,542	–	116,147	–	67,383	35,876,072
Balances at December 31, 2007, as restated	$20,223,972	$2,178,004	$27,788,669	($11,101,002)	$60,660,981	$59,219,281	($970,291)	$116,147	$36,441	$400,394	$158,552,596

	Attributable to Equity Holders of the Parent Company									
	Capital Stock - Common (Note 17)	Subscribed Capital Stock (Note 17)	Additional Paid-in Capital	Subscriptions Receivable (Note 17)	Retained Earnings Appropriated for Expansion (Note 17)	Retained Earnings Unappropriated	Treasury Stock (Note 17)	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2006, as previously stated	$20,203,502	$1,216,952	$18,195,305	($1,665,575)	$40,660,981	$26,150,407	($1,019,138)	$–	$407,401	$104,149,835
Adjustments as a result of change in reporting period of subsidiary (Note 2)	–	–	–	–	–	1,017,727	–	(27,026)	40,724	1,031,425
Balances at January 1, 2006, as restated	20,203,502	1,216,952	18,195,305	(1,665,575)	40,660,981	27,168,134	(1,019,138)	(27,026)	448,125	105,181,260
Collections on subscriptions	–	–	–	389,987	–	–	–	–	–	389,987
Acquisition of treasury stock	–	–	–	–	–	–	(58,183)	–	–	(58,183)
Reissuance of treasury stock	–	–	(41,504)	–	–	–	112,683	–	–	71,179
Appropriation for the year					20,000,000	(20,000,000)	–	–	–	–
Dividends (Note 17)	–	–	–	–	–	(7,880,090)	–	–	–	(7,880,090)
Dilution of minority interest, as previously stated	–	–	–	–	–	–	–	–	–	97,704,153
Adjustments as a result of change in reporting period of subsidiary (Note 2)	–	–	–	–	–	–	–	30,140	(30,140)	–
Dilution of minority, as restated	–	–	–	–	–	–	–	30,140	(30,140)	–
	20,203,502	1,216,952	$18,153,801	(1,275,588)	60,660,981	(711,956)	(964,638)	3,114	417,985	97,704,153
Net income, as previously stated	–	–	–	–	–	34,739,920	–	–	48,068	34,787,988
Adjustments as a result of change in reporting period of subsidiary (Note 2)	–	–	–	–	–	(64,939)	–	–	(3,975)	(68,914)
Net income, as restated	–	–	–	–	–	34,674,981	–	–	44,093	34,719,074
Total recognized income	–	–	–	–	–	34,674,981	–	–	44,093	34,719,074
Balances at December 31, 2006, as restated	$20,203,502	$1,216,952	$18,153,801	($1,275,588)	$60,660,981	$33,963,025	($964,638)	$3,114	$462,078	$132,423,227

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
		2007	2006
	2008	(As restated)	(As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**($14,350,346)**	$38,461,923	$37,580,910
Adjustments for:			
Depreciation of property, plant and equipment and investment properties (Notes 8, 9, 19 and 20)	**18,624,973**	20,869,204	17,226,456
Provision for restructuring (Note 14)	**6,000,000**	–	–
Provision for inventory obsolescence - net of reversal (Note 6)	**5,514,988**	1,116,689	879,817
Losses (gains) on derivative assets (Note 31)	**4,337,519**	(2,042,019)	–
Interest and bank charges (Note 22)	**3,593,609**	5,059,686	6,143,402
Amortization of intangible assets (Notes 11 and 20)	**2,688,552**	2,645,296	2,683,333
Unrealized foreign exchange loss - net	**2,388,140**	581,222	213,778
Impairment loss (Notes 8 and 19)	**1,501,700**	–	–
Cost of share-based payments (Note 26)	**1,484,498**	396,962	–
Net benefit expense (Note 25)	**867,474**	682,842	204,759
Provisions for warranty (Note 14)	**510,139**	2,252,114	1,198,000
Provision for doubtful accounts (Note 5)	**166,726**	506,627	264,967
Dividend income	**(493)**	(491)	(1,184)
Gain on sale of property, plant and equipment	**(251,291)**	(42,057)	(53,837)
Interest income (Note 23)	**(1,141,601)**	(1,455,519)	(760,490)
Reversal of provision for warranty (Note 14)	**(2,189,015)**	(1,914,000)	(1,413,000)
Fair value gain on financial assets at fair value through profit or loss	**–**	–	(45,978)
Gain on sale of investment properties (Note 9)	**–**	(46,305)	–
Operating income before working capital changes	**29,745,572**	67,072,174	64,120,933
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and receivables	**6,287,140**	(7,997,819)	(15,035,123)
Inventories	**2,666,450**	(12,489,690)	(2,990,386)
Other current assets	**(1,270,506)**	436,689	205,937
Noncurrent receivables	**2,408,106**	(5,067,716)	–
Increase (decrease) in accounts payable and accrued expenses	**(6,796,050)**	9,448,211	1,512,238
Net cash generated from operations	**33,040,712**	51,401,849	47,813,599
Interest received	**1,042,355**	1,292,360	760,490
Dividends received	**493**	491	1,184
Interest paid	**(3,662,052)**	(5,265,407)	(5,302,175)
Income taxes paid	**(2,394,505)**	(1,845,130)	(3,763,691)
Net cash provided by operating activities	**28,027,003**	45,584,163	39,509,407

(Forward)

	Years Ended December 31		
	2008	2007 (As restated)	2006 (As restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale/disposal of:			
Property, plant and equipment	**$2,370,921**	$139,343	$194,393
Investment properties	**–**	268,101	–
Acquisition of:			
Property, plant and equipment (Note 8)	**(14,559,324)**	(16,949,799)	(25,085,495)
Intangible assets (Note 11)	**(73,390)**	(209,816)	–
A business	**–**	–	(475,512)
Decrease (increase) in other noncurrent assets	**(1,491,260)**	61,326	(47,679)
Net cash used in investing activities	**($13,753,053)**	(16,690,845)	(25,414,293)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to equity holders of the Parent Company (Note 17)	**(10,736,659)**	(10,436,286)	(7,880,090)
Dividends paid to minority	**(12,500)**	(95,740)	–
Availments of loans	**28,248,662**	3,365,000	87,445,282
Payments of:			
Loans payable	**(20,068,074)**	(4,429,000)	(83,062,467)
Long-term debt	**(8,000,000)**	(18,149,799)	(552,519)
Collections of subscriptions receivable (Note 17)	**1,635,657**	394,014	389,987
Collections on preferred stock subscription (Note 17)	**26,601,155**	–	–
Acquisition of treasury stock (Note 17)	**(42,301)**	(5,653)	(58,183)
Reissuance of treasury stock (Note 17)	**–**	–	71,179
Net cash provided by (used in) financing activities	**17,625,940**	(29,357,464)	(3,646,811)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**(2,584,185)**	404,201	(197,747)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,315,705**	(59,945)	10,250,556
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**28,288,830**	28,348,775	18,098,219
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**$57,604,535**	$28,288,830	$28,348,775

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Integrated Microelectronics, Inc. (“the Parent Company”), a stock corporation organized under the laws of the Republic of the Philippines on August 8, 1980, has three wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (“IMI Singapore”), IMI USA, Inc. (“IMI USA”) and IMI Japan, Inc. (“IMI Japan”) (collectively referred to as the “Group”). The Group’s parent company is AYC Holdings, Ltd. (AYC), a corporation incorporated in British Virgin Islands. AYC is a subsidiary of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange. AC is 50.92% owned by Mermac, Inc., 10.58% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is North Science Avenue, Laguna Technopark, Biñan, Laguna.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of Printed Circuit Board Assembly (PCBA), Flip chip assembly, Box build, Sub-assembly, Enclosure system and provider of electronics product design, research and development, product development outsourcing and other electronic parts. The Parent Company is also engaged in the business of providing test development and systems integration services and distributing related products and equipment. These PEZA registrations entitle the Parent Company to a four-year income tax holiday (ITH) and an option to apply for ITH extension for a maximum of three (3) years subject to various PEZA requirements wherein projects and activities are qualified. The Parent Company’s entitlements to ITH under the current PEZA registrations have expirations beginning July 2008, for which extension has been applied for, up to December 2012 for the different registered activities. Under its PEZA registrations, the Parent Company’s projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH on these projects and activities, the Parent Company will be subject to a five percent (5%) final tax on gross income earned after certain allowable deductions provided under the Republic Act (R.A.) No. 7916 (otherwise known as the “Special Economic Zone Act of 1995”) in lieu of payment of national and local taxes.

The Parent Company has entered into manufacturing agreements with various entities to provide electronics manufacturing services wherein the Parent Company reports income. In 2008, some of these entities ceased operations and the existing manufacturing agreements were pre-terminated (see Note 8).

IMI Singapore was incorporated and domiciled in Singapore. Its wholly-owned subsidiary, Speedy-Tech Electronics Ltd. (STEL), was incorporated and is domiciled also in Singapore. STEL on its own has subsidiaries located in Hong Kong, China, Singapore and Philippines. IMI Singapore is engaged in the procurement of raw materials, supplies and provision of customer services. STEL and its subsidiaries are principally engaged in the provision of Electronic Manufacturing Services (EMS) and Power Electronics solutions to original equipment manufacturing customers in the consumer electronics, computer peripherals/IT, industrial equipment, telecommunications and medical device sectors.

IMI USA is at the forefront of technology with regard to precision assembly capabilities including Surface Mount Technology (SMT), Chip on Flex (COF), Chip on Board (COB) and Flip Chip on Flex. It specializes in prototyping low to medium PCBA and sub-assembly. It is also engaged in engineering, design for manufacturing (DFM) technology, advanced manufacturing process development, new product innovations (NPI), direct chip attach and small precision assemblies.

IMI Japan was registered and is domiciled in Japan. IMI Japan's primary purpose is to transact business with Japanese customers in the following areas: (a) turnkey EMS; (b) engineering and design services; and (c) original design manufacturing (ODM) solutions. IMI Japan also functions as central program management for new business in coordination with the Parent Company (wireless), STEL and Subsidiaries (power management) and IMI USA (film chip). IMI Japan will secure programs/projects from Japanese customers and then endorse these to the Parent Company or IMI Singapore. There is no manufacturing operation in IMI Japan.

The accompanying consolidated financial statements as at December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 were authorized for issue by the Board of Directors (BOD) on March 26, 2009.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared under the historical cost method, except for available-for-sale (AFS) financial assets and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in United States (U.S.) Dollar, the Group's functional and presentation currency.

Statement of Compliance
The accompanying consolidated financial statements, which are prepared for submission to the Philippine Securities and Exchange Commission and Philippine Stock Exchange in connection with the Parent Company's application for listing by way of introduction, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership		Country of
	2008	2007	Incorporation
IMI USA	**100.00%**	100.00%	USA
IMI Japan	**100.00%**	100.00%	Japan
IMI Singapore	**100.00%**	100.00%	Singapore
Speedy-Tech Electronics Ltd. and Subsidiaries ("STEL and Subsidiaries")	**100.00%**	100.00%	Singapore
Vista Manufacturing Pte. Ltd. ("VISTA")	**100.00%**	100.00%	Singapore
Speedy-Tech Technologies Pte. Ltd. ("STTS")	**100.00%**	100.00%	Singapore
Speedy-Tech Electronics (HK) Limited ("STHK")	**100.00%**	100.00%	Hong Kong
Speedy-Tech (Philippines), Inc. ("STPHIL")	**100.00%**	100.00%	Philippines
Shenzhen Speedy-Tech Electronics Co., Ltd. ("SZSTE")	**99.435%**	99.325%	China
Shenzhen Speedy-Tech Technologies Co., Ltd. ("SZSTT")	**100.00%**	100.00%	China
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	USA
Speedy-Tech Electronics (Jiaxing) Co., Ltd. ("STJX")	**100.00%**	100.00%	China
Speedy-Tech Electronics (Chong Qing) Co. Ltd. ("STCQ")	**100.00%**	100.00%	China

A subsidiary is consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period, except that the consolidated financial statements of STEL and Subsidiaries previously used for the consolidation up to 2007 were for the reporting periods ending November 30 of each year. In 2008, the financial statements of STEL and Subsidiaries used for the consolidation were for the reporting period ending December 31, the same as that of the Parent Company and other subsidiaries. The 2007 consolidated financial statements have been restated to reflect the changes in the reporting period of STEL and Subsidiaries.

The following table summarizes the restatements of the 2007 and 2006 consolidated financial statements as a result of the change in reporting period of STEL and Subsidiaries:

2007

	Total Assets	Total Liabilities	Equity	Retained Earnings Unappropriated, beginning	Minority Interest	Net Income
As previously stated	$300,999,411	$143,338,191	$157,661,220	$33,010,237	$386,434	$35,870,131
Adjustments as a result of the change in reporting period of subsidiary	4,761,050	3,869,674	891,376	952,788	13,960	(110,206)
As restated	**$305,760,461**	**$147,207,865**	**$158,552,596**	**$33,963,025**	**$400,394**	**$35,759,925**

2006

	Retained Earnings Unappropriated, beginning	Minority Interest	Net Income
As previously stated	$26,150,407	$455,469	$34,787,988
Adjustments as a result of the change in reporting period of subsidiary	1,017,727	6,609	(68,914)
As restated	$27,168,134	$462,078	$34,719,074

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

Adoption of Amended Accounting Standard

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2007, except for the adoption in 2008 of the amendments to Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, *Financial Instruments: Disclosures* (*effective for annual periods beginning July 1, 2008*). The Amendments to PAS 39 introduce the possibility of reclassification of securities out of the held for trading category in rare circumstances and reclassification to the loans and receivable category if there is an intent and ability to hold the securities for the foreseeable future, or to held-to-maturity (HTM) if there is an intent and ability to hold the securities until maturity. The Amendments to PFRS 7 introduce the disclosures relating to these reclassifications. These Amendments have no impact on the consolidated financial statements.

Future Changes in Accounting Policies
The Group will adopt the Standards, Interpretations and Amendments enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective in 2009

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (*effective for annual periods beginning on or after January 1, 2009*). The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: (a) cost determined in accordance with PAS 27; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or (c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- PFRS 2, *Share-based Payment - Vesting Condition and Cancellations* (*effective for annual periods beginning on or after January 1, 2009*). The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

- Amendment to PAS 1, *Presentation of Financial Statements*, (*effective for annual periods beginning on or after January 1, 2009*). The amendment introduces a new statement of comprehensive income that combines all items of income and expense recognized in the profit or loss together with ‘other comprehensive income’. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The amendment also requires additional requirements in the presentation of the consolidated balance sheet and owner’s equity as well as additional disclosures to be included in the consolidated financial statements. The Group will assess the impact of this amendment on its current manner of reporting all items of income and expenses.

- Amendment to PAS 23, *Borrowing Costs* (*effective for annual periods beginning on or after January 1, 2009*). This amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The option of immediately expensing borrowing costs will be removed.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (*effective for annual periods beginning on or after July 1, 2009*). The amendments to PAS 27 has changes in respect of the holding companies separate financial statements including: (a) the deletion of ‘cost method’, making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss.

- Amendments to PAS 32, *Financial Instruments: Presentation and* PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*. These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* (*effective for annual periods beginning on or after July 1, 2009).* It will address only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (*effective for annual periods beginning on or after January 1, 2009*). The interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (*effective for annual periods beginning on or after January 1, 2009*). The interpretation provides guidance on: (a) identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment; (b) where within the group the hedging instrument(s) can be held in the hedge of a net investment; and (c) how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard and will become effective January 1, 2009. Except as otherwise indicated, the Group does not expect the adoption of these improvements to PFRS to have significant impact on the consolidated financial statements.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

- PAS 1, *Presentation of Financial Statements*. Assets and liabilities classified as held for trading are not automatically classified as current in the consolidated balance sheet.

- PAS 16, *Property, Plant and Equipment*. The amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

- PAS 19, *Employee Benefits*. It revises the definition of: (a) 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment; (b) 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation; and (c) 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled. Also, it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*. Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

- PAS 23, *Borrowing Costs*. It revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method.

- PAS 28, *Investments in Associates*. If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*. It revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

- PAS 31, *Interests in Joint Ventures*. If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 36, *Impairment of Assets*. When discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

- PAS 38, *Intangible Assets*. Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services.

- PAS 39, *Financial Instruments: Recognition and Measurement*. Improvements to PAS 39 are: (a) changes in circumstances relating to derivatives, specifically derivatives designated or re-designated as hedging instruments after initial recognition are not reclassifications; (b) when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification; (c) removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge; and (d) requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Property*. It revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

- PAS 41, *Agriculture*. It removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used. Also, it removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Effective in 2010

- Revised PFRS 3, *Business Combination*, and PAS 27, *Consolidated and Separate Financial Statements* (*effective for annual periods beginning January 1, 2010*). The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that: (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be re-measured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively, while changes introduced by the revised PAS 27 must be applied retrospectively with a few exceptions. The changes will affect future acquisitions and transactions with non-controlling interests.

Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2012).* The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements in the scope of this interpretation are agreements for the construction of real estate and such may include the delivery of other goods or services.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably which is at date of invoice. Revenue is measured at the fair value of the consideration received or receivable, net of any return and allowance.

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

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

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

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

Financial instruments are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group follows the trade date accounting where an asset to be received and liability to be paid are recognized on the trade date and the derecognition of an asset that is sold and the recognition of a receivable from the buyer are likewise recognized on the trade date.

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

The financial instruments of the Group as at December 31, 2008 and 2007 consist of financial assets at FVPL, loans and receivables, AFS financial assets and other financial liabilities.

Determination of fair value
The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

Day 1 profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

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

Financial instruments are classified as held for trading if they are entered into for the purpose of short-term profit-taking. Gains or losses on financial assets or liabilities at FVPL are recognized in the consolidated statement of income.

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

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

Financial instruments at FVPL are subsequently carried at fair value. Changes in fair value of such assets are accounted for in the consolidated statement of income. Interest is recorded as earned or incurred while dividend income is recorded when the right of payment has been established.

This accounting policy applies primarily to the Group's derivative financial instruments, particularly structured currency options.

The Group uses derivative financial instruments such as structured currency options to hedge its risks associated with foreign currency fluctuations. Such are accounted for as nonhedge derivatives. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or loss arising from changes in fair value on derivative financial instruments is taken to the consolidated statement of income.

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

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

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

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

After initial measurement, AFS financial assets are subsequently measured at fair value. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income as dividend income when the right to receive payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as 'Reserve for fluctuation on available-for-sale financial assets' in the equity section of the consolidated balance sheet. The losses arising from impairment of such investments are recognized as provisions for impairment losses in the consolidated statement of income. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as realized gains or losses in the consolidated statement of income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.

This accounting policy relates primarily to the Group's investments in club shares.

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

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

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

<u>Impairment of Financial Assets</u>
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. Impaired assets are derecognized when they are assessed as uncollectible. The amount of the loss shall be recognized in the consolidated statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income.

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

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

The impairment losses for financial assets is inherently subjective because it requires material estimates, including the amounts and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information. In addition, a provision is made to cover impairment for specific groups of assets where there is a measurable decrease in estimated future cash flows. Increases to the allowance for impairment losses are charged to provision for impairment losses in the consolidated statement of income. Loans deemed to be uncollectible are charged against the allowance for impairment losses. Recoveries of previously charged off amounts are credited to recoveries from impairment losses in the consolidated statement of income.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Financial liability

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

Inventories

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

Business Combination and Goodwill

Business combinations are accounted for using the acquisition accounting method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment based on either the Group's primary or secondary reporting format determined in accordance with PFRS 8.

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

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

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

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged against income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. Upon retirement or sale, the cost of the asset disposed and the related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is included in the consolidated statement of income.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets. Leasehold improvements are amortized over the shorter of the related lease terms or their EUL.

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

Investment Properties

Investment properties are measured at cost, including transaction costs, less accumulated depreciation and any impairment loss. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property. Depreciation is calculated on a straight-line basis over the EUL of the assets.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property from property, plant and equipment classifications when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest and other finance costs incurred during the construction period on borrowings used to finance the construction of an asset are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing costs are based on the applicable weighted average borrowing rate.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The EUL of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

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

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

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

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

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the balance sheet date.

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

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

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

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

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

Income tax relating to items recognized directly in equity is recognized in the consolidated statement of changes in equity.

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

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

Treasury Stock

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

Foreign Currency Transactions

The functional and presentation currency of the Group is the U.S. Dollar. Transactions denominated in foreign currencies are recorded in U.S. Dollar at the transaction date based on a booking rate set each month. Foreign currency-denominated monetary assets and liabilities are translated to U.S. Dollar at the closing exchange rate prevailing at the balance sheet date. Foreign exchange differentials between rate at transaction date and rate at settlement date or balance sheet date of foreign currency-denominated monetary assets or liabilities are credited to or charged against current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Pensions and Other Employee Benefits

Defined contribution plans

The Group's subsidiaries in Singapore, People's Republic of China (PRC) and Hong Kong participates in their respective national pension schemes which are considered as defined contribution plans. The required contributions to the national pension schemes are recognized as pension cost as accrued.

Singapore

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

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

Hong Kong
The subsidiary in Hong Kong participates in the defined Provident Fund. The subsidiary and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions of the subsidiary and the employees are subject to a cap of HK$1,000 per month and thereafter, contributions are voluntary.

Defined benefit plans
The Parent Company maintains a defined benefit plan covering substantially all of its employees. The plan is a funded, noncontributory pension plan administered by a Board of Trustees. Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses, past service cost and the effect of any curtailment or settlement.

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

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

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

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

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

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

The Group has employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares at a discounted price. The Parent Company recognizes the difference between the market price at the time of subscription and the subscription price as employee benefit expense over the holding period.

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

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

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

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

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

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

Events after the Balance Sheet Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Functional currency

The Group determined its functional currency to be the U.S. Dollar being the currency in which the sales prices for its goods and services are denominated and settled.

Operating lease commitments - Group as lessee

The Group has entered into various lease agreements as lessee. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor (see Note 28).

Impairment of AFS equity investments

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, such as normal volatility in share price for quoted equities.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 32).

Estimates and Assumptions
The key assumptions concerning the future and other sources of estimation and uncertainty at the balance sheet date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Loans and receivables
The Group reduces the carrying amount of the receivables through the use of an allowance account if there is an objective evidence that an impairment loss on the receivables have been incurred based on the result of the individual and collective assessments. Factors considered are customer type, payment history, past due status and term. The carrying amounts of the loans and receivables, net of the allowance for doubtful accounts, amounted to $74,927,235 and $81,850,454 as at December 31, 2008 and 2007, respectively. Allowance for doubtful accounts amounted to $693,657 and $890,452 as at December 31, 2008 and 2007, respectively. Further details are given in Note 5.

Inventories
Inventories are valued at the lower of cost or NRV. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale to determine the NRV. In the event that NRV is lower than cost, the decline is recognized as an expense. Inventories carried at cost amounted to $13,141,372 and $11,513,414 as at December 31, 2008 and 2007, respectively. Inventories carried at NRV amounted to $22,343,622 and $32,153,018 as at December 31, 2008 and 2007, respectively. Allowance for inventory obsolescence amounted to $7,640,616 and $2,559,309 as at December 31, 2008 and 2007, respectively. Further details are given in Note 6.

Depreciation and amortization
The Group computes depreciation and amortization of property, plant and equipment and investment properties on a straight-line basis over the assets' EUL. The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method are consistent with the expected pattern of the economic benefits from the assets. This requires the Group to make an estimate of the expected asset utilization from business plans and strategies, future technical developments and market behavior to determine the expected pattern of economic benefits from the assets. Property, plant and equipment, net of accumulated depreciation, amortization and impairment loss, amounted to $75,907,230 and $83,594,209 as at December 31, 2008 and 2007, respectively. Depreciation and amortization expense on property, plant and equipment and investment properties amounted to $18,624,973, $20,869,204 and $17,226,456 for the years ended December 31, 2008, 2007 and 2006, respectively. Further details are given in Notes 8, 9, 19 and 20.

The Group computes amortization of intangible assets on a straight-line basis over the assets' EUL. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset. Intangible assets, net of accumulated amortization, amounted to $5,132,691 and $7,747,853 as at December 31, 2008 and 2007, respectively. Amortization expense amounted to $2,688,552, $2,645,296 and $2,683,333 for the years ended December 31, 2008, 2007 and 2006, respectively. Further details are given in Notes 11 and 20.

Impairment of property, plant and equipment and intangible assets
The Group determines at each balance sheet date whether there is any indication that an item of property, plant and equipment and intangible assets may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or the CGU to which the asset belongs is written down to its recoverable amount. As at December 31, 2008, the Group determined that there were indications that some of its production facilities were impaired.

Property, plant and equipment, net of accumulated depreciation, amortization and impairment loss, amounted to $75,907,230 and $83,594,209 as at December 31, 2008 and 2007, respectively. Impairment loss recognized in the consolidated statement of income for the years ended December 31, 2008 amounted to $1,501,700. Intangible assets, net of accumulated amortization, amounted to $5,132,691 and $7,747,853 as at December 31, 2008 and 2007, respectively. Further details are given in Notes 8, 11 and 19.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amounts which is the net selling price or value in use of the CGUs to which the goodwill is allocated. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. As at December 31, 2008 and 2007, the Group has determined that there are no indications that its goodwill may be impaired. Goodwill amounted to $46,225,800 as at December 31, 2008 and 2007. Further details are given in Note 10.

Impairment of AFS financial assets
The Group classifies certain assets as AFS and recognizes movements in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. As at December 31, 2008 and 2007, no impairment losses have been recognized for AFS financial assets. The carrying amount of AFS financial assets of the Group amounted to $265,046 and $360,465 as at December 31, 2008 and 2007, respectively.

Deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

As at December 31, 2008 and 2007, the Group has deferred income tax assets of $27,505 and $53,175, respectively. Further details are given in Note 24.

Pensions and other employee benefits
The determination of the obligation and cost of pension under the Parent Company's defined benefit plan and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets, salary increase rates and the basis used to determine the amount of the economic benefit available. In accordance with PAS 19, actual results that differ from the Group's assumptions, subject to the 10% corridor test, are accumulated and amortized over future

periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. For the years ended December 31, 2008, 2007 and 2006, the Group has unrecognized actuarial gains (losses) of $6,239,724, ($302,219) and ($3,573,455), respectively. Further details are given in Note 25.

The Group also estimates other employee benefit obligations and expenses, including cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the period.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

Share-based payment transactions
The Group also determines the cost of equity-settled share options using assumptions on the appropriate pricing model. Significant assumptions include, among others, share price, exercise price, option life, risk-free interest rate, expected dividend and expected volatility rate for the cost of share-based payments.

For the years ended December 31, 2008 and 2007, the Group recognized cost of equity-settled share options amounting to $1,484,498 and $396,962, respectively. Further details are given in Note 26.

Taxes
The Group has exposure to taxes in numerous jurisdictions. Significant judgment is involved in determining the group-wide provision for taxes including value added tax, consumption tax and customs duty. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the profit and loss in the period in which such determination is made. The carrying amount of the Group's taxes payables as at December 31, 2008 and 2007 amounted to $1,555,130 and $1,891,379, respectively. Further details are given in Note 13.

4. Cash and Cash Equivalents

	2008	2007 (As restated)
Cash on hand and in banks (Notes 29, 30 and 31)	**$12,741,963**	$8,188,493
Short-term deposits (Notes 29, 30 and 31)	**44,862,572**	20,100,337
	$57,604,535	$28,288,830

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

5. Loans and Receivables

	2008	2007 (As restated)
Trade	**$66,295,146**	$74,692,341
Nontrade	**6,344,747**	3,899,306
Receivables from employees	**2,062,547**	1,467,486
Receivable from Meralco - current	**554,612**	1,018,286
Others	**363,840**	1,663,487
	75,620,892	82,740,906
Less allowance for doubtful accounts	**693,657**	890,452
	$74,927,235	$81,850,454

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms ranging from 30 to 60 days from invoice date.

Nontrade
Nontrade receivables represent billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These receivables have credit terms ranging from 30 to 60 days from invoice date.

Receivable from Meralco
As a customer of the Manila Electric Company (Meralco), the Parent Company will receive a refund for some of its previous billings under Phase IV of Meralco's refund scheme. The Parent Company will receive quarterly payments over 3 years, which started in February 2008 up to February 2011. The Parent Company recognized a receivable from Meralco amounting to $1,533,268, net of day 1 discount and accretion of $180,111, and income from the refund of $1,145,086 (included under "Miscellaneous income") as at and for the year ended December 31, 2007. The receivable was discounted using an effective interest rate of 11.41%. As at December 31, 2008 and 2007, current portion of the receivables amounted to $554,612 and $1,018,286, respectively. Receivables expected to be recovered beyond one year amounted to $147,775 and $514,982 as at December 31, 2008 and 2007, respectively (included under "Noncurrent receivables").

The rollforward of the day 1 discount on Meralco refund as at December 31, 2008 and 2007 follows:

	2008	2007
At beginning of year	**$180,111**	$–
Day 1 discount	–	343,270
Accretion (Note 23)	**(99,246)**	(163,159)
At end of year	**$80,865**	$180,111

The accretion of the day 1 discount is included under "Interest income" account in the consolidated statements of income (see Note 23).

Trade and nontrade receivables at nominal value of $693,657 and $890,452 were individually provided for with allowance for doubtful accounts as at December 31, 2008 and 2007, respectively.

Movements in the allowance for doubtful accounts follow:

2008

	Trade	**Nontrade**	**Total**
At January 1, 2008	**$795,558**	**$94,894**	**$890,452**
Provision during the year	**166,726**	**–**	**166,726**
Accounts written off	**(328,604)**	**(3,630)**	**(332,234)**
Reclassification	**(362,261)**	**362,261**	**–**
Adjustments	**(16,818)**	**(14,469)**	**(31,287)**
At December 31, 2008	**$254,601**	**$439,056**	**$693,657**

2007 (As restated)

	Trade	Nontrade	Total
At January 1, 2007	$726,091	$65,733	$791,824
Provision during the year	448,333	58,294	506,627
Accounts written off	(378,866)	(20,474)	(399,340)
Reversal of provision	–	(8,659)	(8,659)
At December 31, 2007	$795,558	$94,894	$890,452

6. **Inventories**

	2008	2007 (As restated)
At cost:		
Raw materials and supplies	**$4,030,994**	$2,818,913
Work-in-process	**4,975,809**	5,021,905
Finished goods	**4,134,569**	3,672,596
	13,141,372	11,513,414
At NRV:		
Raw materials and supplies	**19,762,841**	30,202,418
Work-in-process	**1,398,870**	189,128
Finished goods	**1,181,911**	1,761,472
	22,343,622	32,153,018
	$35,484,994	$43,666,432

The cost of the inventories carried at NRV amounted to $29,984,238 and $34,712,327 as at December 31, 2008 and 2007, respectively. The amount of inventories recognized as an expense amounted to $222,773,763, $199,605,005 and $200,447,592 for the years ended December 31, 2008, 2007 and 2006, respectively (see Note 19). Losses on inventory decline, net of reversal, recognized in the consolidated statements of income for the years ended December 31, 2008, 2007 and 2006 amounted to $5,514,988, $1,116,689 and $879,817, respectively.

7. Other Current Assets

	2008	2007 (As restated)
Advances to suppliers	**$868,041**	$756,230
Prepayments	**504,020**	416,326
Others	**2,040,645**	969,644
	$3,412,706	$2,142,200

Prepayments include prepayments for group hospitalization, life and fire insurance and rent.

"Others" account comprise sales tax recoverable and tax credits. In 2008, this account includes over remittance of withholding taxes on compensation to be applied on future tax liability of the Parent Company amounting to $1,069,036.

8. Property, Plant and Equipment

2008

	Buildings and Improvements	Machinery and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Projects in Progress	Total
Cost							
At January 1, 2008, as previously stated	$50,471,105	$90,830,801	$9,698,621	$1,388,855	$2,242,694	$90,045	$154,722,121
Restatement	(40,951)	1,859,825	(26,850)	(24,377)	(954,314)	–	813,333
At January 1, 2008, as restated	50,430,154	92,690,626	9,671,771	1,364,478	1,288,380	90,045	155,535,454
Additions	2,798,211	8,817,977	1,735,456	394,388	420,684	392,608	14,559,324
Disposals	(3,160,623)	(2,397,477)	(197,309)	(217,792)	(21,915)	–	(5,995,116)
Reclassifications	90,044	–	–	–	–	(90,044)	–
At December 31, 2008	50,157,786	99,111,126	11,209,918	1,541,074	1,687,149	392,609	164,099,662
Accumulated depreciation and amortization							
At January 1, 2008, as previously stated	20,079,516	43,543,454	5,246,512	560,614	1,292,716	–	70,722,812
Restatement	1,139,421	290,216	(25,176)	8,706	(194,734)	–	1,218,433
At January 1, 2008, as restated	21,218,937	43,833,670	5,221,336	569,320	1,097,982	–	71,941,245
Depreciation and amortization	4,948,471	11,148,788	2,054,804	320,034	152,876	–	18,624,973
Disposals	(1,260,484)	(856,771)	(1,009,969)	(702,702)	(45,560)	–	(3,875,486)
At December 31, 2008	24,906,924	54,125,687	6,266,171	186,652	1,205,298	–	86,690,732
Impairment loss	736,565	752,909	12,226	–	–	–	1,501,700
Net book value as at December 31, 2008	$24,514,297	$44,232,530	$4,931,521	$1,354,422	$481,851	$392,609	$75,907,230

2007 (As restated)

	Buildings and Improvements	Machinery and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Projects in Progress	Total
Cost							
At January 1, 2007, as previously stated	$49,968,606	$78,307,622	$8,188,678	$1,139,144	$2,244,798	$134,809	$139,983,657
Restatement	(833,984)	2,247,017	(98,387)	(45,076)	(960,994)	–	308,576
At January 1, 2007, as restated	49,134,622	80,554,639	8,090,291	1,094,068	1,283,804	134,809	140,292,233
Additions	1,749,978	12,364,888	2,304,765	372,762	68,354	89,052	16,949,799
Disposals	(402,985)	(414,178)	(723,285)	(102,352)	(63,778)	–	(1,706,578)
Reclassifications	(51,461)	185,277	–	–	–	(133,816)	–
At December 31, 2007	50,430,154	92,690,626	9,671,771	1,364,478	1,288,380	90,045	155,535,454
Accumulated depreciation and amortization							
At January 1, 2007, as previously stated	16,196,814	30,640,826	3,925,241	368,600	916,561	–	52,048,042
Restatement	716,396	(6,863)	(58,742)	(11,873)	7,026	–	645,944
At January 1, 2007, as restated	16,913,210	30,633,963	3,866,499	356,727	923,587	–	52,693,986
Depreciation and amortization	4,783,275	13,523,788	2,033,344	277,971	238,173	–	20,856,551
Disposals	(402,985)	(398,644)	(678,507)	(65,378)	(63,778)	–	(1,609,292)
Reclassifications	(74,563)	74,563	–	–	–	–	–
At December 31, 2007	21,218,937	43,833,670	5,221,336	569,320	1,097,982	–	71,941,245
Net book value as at December 31, 2007	$29,211,217	$48,856,956	$4,450,435	$795,158	$190,398	$90,045	$83,594,209

Depreciation and amortization expense included in cost of goods sold and services for the years ended December 31, 2008, 2007 and 2006 amounted to $15,175,848, $16,488,203 and $12,921,083, respectively (see Note 19). Depreciation and amortization expense included in operating expenses for the years ended December 31, 2008, 2007 and 2006 amounted to $3,449,125, $4,368,348 and $4,286,393, respectively (see Note 20).

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

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

In 2008, the Parent Company recognized an impairment loss of $1,501,700 included in cost of goods sold and services representing the carrying amount of the production assets dedicated to EPSON Imaging Devices (Phils.), Inc., Panasonic Communication of the Philippines and PANAC Co. Ltd., net of the reimbursements received, following the pre-termination of the existing manufacturing agreements with the said customers (see Note 19).

9. Investment Properties

On September 10, 2007, the investment properties were sold to the Integrated Microelectronics, Inc. Retirement Fund (IMI RTF), represented by Bank of the Philippine Islands (BPI), its trustee (see Note 25). The gain on sale of investment properties amounted to $46,305.

Movements of investment properties in 2007 are as follows:

	Land	Building	Total
Cost			
At January 1, 2007	$142,715	$185,277	$327,992
Disposals	(142,715)	(185,277)	(327,992)
At December 31, 2007	–	–	–
Accumulated depreciation			
At January 1, 2007	–	93,543	93,543
Depreciation for the year	–	12,653	12,653
Disposals	–	(106,196)	(106,196)
At December 31, 2007	–	–	–
Net book value as at December 31, 2007	$–	$–	$–

The EUL of the building is ten (10) years. Depreciation expense included in operating expenses for the years ended December 31, 2007 and 2006 amounted to $12,653 and $18,980 (see Note 20).

10. **Goodwill**

Goodwill acquired through business combinations have been allocated to three individual CGUs as follows:

	2008	2007
STEL Group	**$45,128,024**	$45,128,024
Saturn	**656,610**	656,610
M. Hansson Consulting, Inc.	**441,166**	441,166
	$46,225,800	$46,225,800

The recoverable amounts of each of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 10% and 11% in 2008 and 2007, respectively, and cash flows beyond the 5-year period are extrapolated using a very conservative steady growth rate of 1% which does not exceed the compound annual growth rate for the global EMS industry.

Key assumptions used in value in use calculations
The calculations of value in use for the CGUs are most sensitive to the following assumptions:

- Budgeted gross margins - Gross margins are based on the mix of business model arrangements with the customers whether semi or full turnkey.
- Growth rates - The forecasted growth rate is based on a very conservative steady growth rate which does not exceed the compound annual growth rate for global EMS industry.
- Pre-tax discount rates - Discount rates reflect management's estimate of the risks specific to each CGU. This is the benchmark used by management to assess operating performance.

With regard to the assessment of value in use of the three CGUs, management believes that a 200% increase in the discount rate during the 5-year period, with all other key assumptions held constant, would give a value in use equal to the carrying amount of the CGU.

11. **Intangible Assets**

2008

	Customer Relationship	**Unpatented Technology**	**Other Intangibles**	**Total**
Cost				
At January 1, 2008	**$12,900,000**	**$100,000**	**$209,816**	**$13,209,816**
Additions	**–**	**–**	**73,390**	**73,390**
At December 31, 2008	**12,900,000**	**100,000**	**283,206**	**13,283,206**
Accumulated amortization				
At January 1, 2008, as previously stated	**$5,160,000**	**$40,000**	**$45,296**	**$5,245,296**
Restatement	**215,000**	**1,667**	**–**	**216,667**
At January 1, 2008, as restated	**5,375,000**	**41,667**	**45,296**	**5,461,963**
Amortization for the year	**2,580,000**	**20,000**	**88,552**	**2,688,552**
At December 31, 2008	**7,955,000**	**61,667**	**133,848**	**8,150,515**
Net book value as at December 31, 2008	**$4,945,000**	**$38,333**	**$149,358**	**$5,132,691**

2007 (As restated)

	Customer Relationship	Unpatented Technology	Other Intangibles	Total
Cost				
At January 1, 2007	$12,900,000	$100,000	$–	$13,000,000
Additions	–	–	209,816	209,816
At December 31, 2007	12,900,000	100,000	209,816	13,209,816
Accumulated amortization				
At January 1, 2007, as previously stated	2,580,000	20,000	–	2,600,000
Restatement	215,000	1,667	–	216,667
At January 1, 2007, as restated	2,795,000	21,667	–	2,816,667
Amortization for the year	2,580,000	20,000	45,296	2,645,296
At December 31, 2007	5,375,000	41,667	45,296	5,461,963
Net book value as at December 31, 2007	$7,525,000	$58,333	$164,520	$7,747,853

Customer relationship
Customer relationship pertains to noncontractual master agreements with certain customers which lay out the principal terms upon which the parties agree to undertake business.

Unpatented technology
Unpatented technology pertains to products which are technologically feasible. The Group's patents were applied for the following technologies, both of which are unique, difficult to design around and which meet the separability criteria:

- Self Bias Double-Ended Switching Circuit; and
- A Zero Power Consumption Switch Circuit to Simplify the Energy Star Solution for External Power Adapter

Other intangibles
These pertain to acquisitions of various computer software and applications such as Navishere, Exchange Standard Cal2007 and Microsoft Office Standard in 2008 and 2007.

The EUL of intangibles follow:

	Years
Customer relationship	5
Unpatented technology	5
Other intangibles	3

Amortization of intangible assets included in operating expenses for the years ended December 31, 2008, 2007 and 2006 amounted to $2,688,552, $2,645,296 and $2,683,333, respectively (see Note 20).

The intangible assets relates to the following entities:

2008

	Customer Relationship	**Unpatented Technology**	**Other Intangibles**	**Total**
Parent Company	**$–**	**$–**	**$149,358**	**$149,358**
STEL Group	**4,945,000**	**38,333**	**–**	**4,983,333**
	$4,945,000	**$38,333**	**$149,358**	**$5,132,691**

2007 (As restated)

	Customer Relationship	Unpatented Technology	Other Intangibles	Total
Parent Company	$–	$–	$164,520	$164,520
STEL Group	7,525,000	58,333	–	7,583,333
	$7,525,000	$58,333	$164,520	$7,747,853

12. **Other Noncurrent Assets**

	2008	2007 (As restated)
Deferred acquisition costs	**$1,100,000**	$–
Miscellaneous deposits (Notes 29 and 30)	**924,564**	976,854
Others	**570,069**	260,391
	$2,594,633	$1,237,245

Deferred acquisition costs represent professional fees incurred in connection with an ongoing acquisition transaction. “Others” account include project development cost, sundry receivables and deposits.

13. **Accounts Payable and Accrued Expenses**

	2008	2007 (As restated)
Trade payables	**$40,906,065**	$43,114,571
Accrued expenses	**17,372,131**	16,664,168
Accrued payroll	**2,053,852**	2,330,382
Taxes payables	**1,555,130**	1,891,379
Customers' deposits	**1,073,187**	1,674,474
Employee-related payables (Note 29)	**698,262**	906,024
Accrued interest payable (Notes 15 and 16)	**567,063**	635,506
Dividends payable (Note 17)	**560,727**	–
Nontrade payables	**348,891**	4,868,922
Others	**4,651,964**	2,422,506
	$69,787,272	$74,507,932

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

Accrued expenses consist mainly of management salaries, light and water, taxes, repairs and maintenance, professional fees, transportation and travel, subcontractual costs, security, insurance and representation.

In 2008, "Other payables" include outstanding liability on unwinding costs of derivative contracts amounting to $2,295,500 (see Note 31). "Other payables" are noninterest-bearing and are normally settled within one year.

14. **Provisions**

2008

	Warranty	**Restructuring**	**Total**
Balance at January 1, 2008	**$1,692,114**	**$–**	**$1,692,114**
Provisions for the year	**510,139**	**6,000,000**	**6,510,139**
Reversal of provision	**(2,189,015)**	**–**	**(2,189,015)**
Balance at December 31, 2008	**$13,238**	**$6,000,000**	**$6,013,238**

2007 (As restated)

	Warranty
Balance at January 1, 2007	$1,354,000
Provision for the year	2,252,114
Reversal of provision	(1,914,000)
Balance at December 31, 2007	$1,692,114

A provision for warranty is recognized for all products under warranty at the balance sheet date based on a percentage of the sales volume and experience with the level of repairs or returns.

The provision for restructuring represents management's best estimate of benefits to be paid to employees of the Parent Company that will be separated as a result of a restructuring of its operations to respond to decline in business activities. The restructuring plan was drawn up in 2008 and the initial announcement was made in January 2009. The restructuring is expected to be completed by April 2009.

15. **Loans Payable**

	2008	2007 (As restated)
Parent Company	**$8,000,000**	$–
STEL	**9,110,107**	9,007,819
	$17,110,107	$9,007,819

The loan payable of the Parent Company is a clean loan obtained from a Philippine bank due in March 2009 and earns interest ranging from 3.38% to 5.75% a year.

The loans of STEL are clean loans from various Singapore banks, from existing revolving credit facilities. The loans payable bear interests ranging from 2.53% to 3.60% in 2008 and 2.73% to 4.10% in 2007 and have maturities of 30 days from the date of issue with renewal options.

16. **Long-Term Debt**

	2008	2007 (As restated)
Parent Company	**$30,000,000**	$30,000,000
STEL	**24,000,000**	32,000,000
	$54,000,000	$62,000,000

The Parent Company loan is a five-year term clean loan from a Philippine bank obtained in 2006 for the original amount of $40,000,000 and payable in a single balloon payment at the end of the loan term. The Parent Company may, at its option, prepay the loan in part or in full, together with the accrued interest without penalty. Interest on the loan is payable quarterly and re-priced quarterly at the rate of 3-month LIBOR plus margin of 0.80%. The Parent Company prepaid $10,000,000 of the loan principal in 2007.

The IMI Singapore loan is a five-year term clean loan from a Singapore bank obtained in 2006 for the original amount of $40,000,000. The loan is payable in ten (10) equal installments starting in May 2007 to mature in November 2011. Interest on the loan is payable semi-annually and is re-priced semi-annually at LIBOR rate plus 0.75% quoted by the bank.

Scheduled amortization of the long-term debt is as follows:

2008

	2008
2009	**$8,000,000**
2010 - 2011	**46,000,000**
	$54,000,000

2007

	2007
2008	$8,000,000
2009 - 2011	54,000,000
	$62,000,000

17. **Equity**

Capital Stock

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized - ₱1 par value						
Common	**1,500,000,000**		1,500,000,000		1,500,000,000	
Preferred	**1,500,000,000**		–		–	
Issued - Common						
At beginning of year	**1,135,476,364**	**$20,223,972**	1,134,389,617	$20,203,502	1,134,389,617	$20,203,502
Issuances during the year	**1,543,938**	**29,082**	1,086,747	20,470	–	–
At end of year *	**1,137,020,302**	**$20,253,054**	1,135,476,364	$20,223,972	1,134,389,617	$20,203,502
Issued - Preferred						
At beginning of year	**–**	**$–**	–	$–	–	$–
Issuances during the year	**1,300,000,000**	**26,601,155**	–	–	–	–
At end of year	**1,300,000,000**	**$26,601,155**	–	$–	–	$–

* *Out of the total issued shares, 15,892,365 and 15,745,302 shares as at December 31, 2008 and 2007, respectively, pertain to treasury shares.*

On June 4, 2008, the BOD of the Parent Company approved and authorized the increase in its authorized capital stock from ₱1,500,000,000 consisting of 1,500,000,000 common shares with a par value of ₱1.00 per share, to ₱3,000,000,000, consisting of 1,500,000,000 common shares and 1,500,000,000 preferred shares both with a par value of ₱1.00 per share and the amendment of the Articles of Incorporation to reflect such increase. The BOD also approved and authorized the offering of 1,300,000,000 preferred shares to all existing stockholders of the Parent Company on a pro-rata basis at the par value of ₱1.00 per share. The increase in authorized capital stock, amendment of the Articles of Incorporation and the preferred shares offering were subsequently ratified in the special stockholders' meeting held on June 30, 2008.

The increase in authorized capital stock of the Parent Company and the amended Articles of Incorporation was approved by the Philippine Securities and Exchange Commission on November 21, 2008 in accordance with the provisions of Section 38 of the Corporation Code of the Philippines.

The preferred shares have certain features, rights and privileges, which include voting rights, quarterly dividends, cumulative in payment of current dividends, non-participating in any other or further dividends beyond that specifically payable on the shares, non-convertibility to common shares, preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation and in the payment of the dividend at the rate specified, no pre-emptive rights, redeemable at the option of the issuer and certificated.

Subscribed Capital Stock

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**108,671,253**	**$2,178,004**	64,608,000	$1,216,952	64,608,000	$1,216,952
Subscriptions during the year						
ESOWN (Note 26)	**1,539,000**	**33,457**	45,150,000	981,522	–	–
Preferred stock	**1,300,000,000**	**26,601,155**	–	–	–	–
	1,301,539,000	**26,634,612**	45,150,000	981,522	–	–
Issuances during the year						
ESOWN	**(1,543,938)**	**(29,082)**	(1,086,747)	(20,470)	–	–
Preferred stock	**(1,300,000,000)**	**(26,601,155)**	–	–	–	–
	(1,301,543,938)	**(26,630,237)**	(1,086,747)	(20,470)	–	–
At end of year	**108,666,315**	**$2,182,379**	108,671,253	$2,178,004	64,608,000	$1,216,952

Subscriptions Receivable

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**109,758,000**	**$11,101,002**	64,608,000	$1,275,588	64,608,000	$1,665,575
Subscriptions during the year (Note 26)	**1,539,000**	**306,137**	45,150,000	9,646,167	–	–
Collections	**–**	**(1,635,657)**	–	(394,014)	–	(389,987)
Accretion (Note 26)	**–**	**667,876**	–	573,261	–	–
At end of year	**111,297,000**	**$10,439,358**	109,758,000	$11,101,002	64,608,000	$1,275,588

Dividends

On December 16, 2008, the BOD of the Parent Company approved and authorized the declaration of quarterly dividend of 8.25% p.a. or the equivalent of $560,727, out of the unrestricted retained earnings of the Parent Company as at December 31, 2007, to all stockholders of the Parent Company's Preferred Class "B" shares of record as at February 9, 2009. The dividend is payable on February 21, 2009 and the liability is presented as "Dividends payable" under "Accounts payable and accrued expenses" (see Note 13).

On May 7, 2008, the BOD of the Parent Company approved and authorized the declaration of cash dividends amounting to $0.00873 per share or the equivalent of $10,736,659, out of the unrestricted retained earnings of the Parent Company as at December 31, 2007, to all stockholders of record as at April 30, 2008.

On May 4, 2007, the BOD of the Parent Company approved and authorized the declaration of cash dividends amounting to $0.00882 per share or the equivalent of $10,436,286, out of the unrestricted retained earnings of the Parent Company as at December 31, 2006, to all stockholders of record as at April 30, 2007.

On May 11, 2006, the BOD approved and authorized the declaration of cash dividends amounting to $0.0066 per share or the equivalent of $7,880,090, out of the unappropriated retained earnings of the Parent Company as at December 31, 2005, to all stockholders of record as at April 30, 2006.

Treasury Stock
The movements in the treasury stock follow:

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**15,745,302**	**$970,291**	15,724,104	$964,638	16,181,216	$1,019,138
Acquisition during the year	**147,063**	**42,301**	21,198	5,653	233,180	58,183
Reissuance during the year	–	–	–	–	(690,292)	(112,683)
At end of year	**15,892,365**	**$1,012,592**	15,745,302	$970,291	15,724,104	$964,638

Retained Earnings
The appropriated retained earnings will be used to finance the Group's planned expansion and acquisition of other EMS companies.

A portion of the unappropriated retained earnings corresponding to undistributed earnings of subsidiaries, amounting to $16,960,371, $16,168,080 and $10,080,302 as at December 31, 2008, 2007 and 2006, respectively, and cost of treasury stock amounting to $1,012,592, $970,291 and $964,638 as at December 31, 2008, 2007 and 2006, respectively, is not available for dividend declaration.

18. **Revenues from Sales and Services**

	2008	2007 (As restated)	2006 (As restated)
Sale of goods	**$312,004,752**	$285,188,830	$279,546,314
Sale of services	**129,139,930**	136,918,526	115,455,616
	$441,144,682	$422,107,356	$395,001,930

19. **Cost of Goods Sold and Services**

	2008	2007 (As restated)	2006 (As restated)
Direct, indirect and other material-related costs (Note 6)	**$222,773,763**	$199,605,005	$200,447,592
Direct labor, salaries, wages and employee benefits (Note 25)	**97,895,700**	79,191,892	64,059,220
Depreciation and amortization (Note 8)	**15,175,848**	16,488,203	12,921,083
Impairment loss (Note 8)	**1,501,700**	–	–
Facilities costs and others (Note 21)	**33,021,059**	35,501,282	31,432,268
	$370,368,070	$330,786,382	$308,860,163

20. **Operating Expenses**

	2008	2007 (As restated)	2006 (As restated)
Salaries, wages and employee benefits (Note 25)	**$27,668,944**	$22,727,004	$20,921,786
Depreciation and amortization (Notes 8, 9 and 11)	**6,137,677**	7,026,297	6,988,706
Facilities costs and others (Note 21)	**20,292,654**	23,503,768	15,554,096
	$54,099,275	$53,257,069	$43,464,588

21. **Facilities Costs and Others**

	Cost of Goods Sold and Services			**Operating Expenses**		
	2008	2007 (As restated)	2006 (As restated)	**2008**	2007 (As restated)	2006 (As restated)
Variable overhead	**$12,347,007**	$14,474,437	$14,924,291	**$–**	$–	$–
Utilities	**9,035,267**	8,595,837	7,609,158	**662,805**	1,195,885	1,212,519
Outsourced activities (Note 28)	**4,896,894**	2,710,165	1,987,164	**5,069,310**	5,817,208	2,491,624
Repairs and maintenance	**3,998,284**	2,264,809	2,593,608	**915,777**	755,775	579,364
Government-related	**840,556**	275,855	259,448	**693,875**	880,596	1,015,970
Technology-related	**211,244**	101,645	101,687	**959,669**	1,303,055	1,769,831
Others	**1,691,807**	7,078,534	3,956,912	**11,991,218**	13,551,249	8,484,788
	$33,021,059	$35,501,282	$31,432,268	**$20,292,654**	$23,503,768	$15,554,096

22. **Interest and Bank Charges**

	2008	2007 (As restated)	2006 (As restated)
Bank loans (Notes 15 and 16)	**$3,027,546**	$4,853,689	$5,736,603
Interest on deposits from subscriptions	**93,085**	–	–
Bank and other financing charges	**472,978**	205,997	406,799
	$3,593,609	$5,059,686	$6,143,402

23. **Interest Income**

	2008	2007 (As restated)	2006 (As restated)
Bank balances and fixed deposits	**$1,042,355**	$1,292,360	$760,490
Accretion of Meralco receivable (Note 5)	**99,246**	163,159	–
	$1,141,601	$1,455,519	$760,490

24. **Income Taxes**

Parent Company
As discussed in Note 1, the Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. The Parent Company's entitlements to ITH under its current PEZA registrations have expirations beginning July 2008, for which extension has been applied for, up to December 2011 for the different registered activities. Upon the expiration of the ITH, the Parent Company will be subject to a five percent (5%) final tax on gross income earned after certain allowable deductions in lieu of payment of national and local taxes.

STHK
Hong Kong profits tax has been provided at the rate of 17.5% for the years ended December 31, 2008 and 2007 on the estimated assessable profit for the year.

SZSTE, SZSTT and STJX
In accordance with the "Income Tax Law of PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

SZSTE is subject to taxation at the statutory tax rate of 18% and 15% for the years ended December 31, 2008 and 2007, respectively, on its taxable income as reported in the financial statements of SZSTE prepared in accordance with the accounting regulations in the PRC.

SZSTT has been dormant for the financial year under review and thus there is no tax expense for SZSTT. Deferred income tax assets arising from the tax losses of SZSTT is not recognized in the consolidated financial statements due to uncertainty as to whether sufficient taxable income will be available against which the deferred income tax asset can be utilized.

STJX is entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year, that is after all tax losses have been fully offset in accordance with the "Income Tax of the PRC for Enterprises with Foreign Investment and Foreign Enterprises". SJTX is in its fourth profitable year, and hence is subject to taxation at the rate of 12.5% and 13.2% in 2008 and 2007, respectively, on the taxable income as reported in the financial statements of SJTX prepared in accordance with the accounting regulations in the PRC.

STPHIL
STPHIL is registered with the PEZA as an economic zone export enterprise engaged in the manufacture and distribution of electronic products. As a registered enterprise, it is entitled to certain incentives, including the payment of income tax equivalent to 5% on gross income, as defined under R.A. No. 7916, in lieu of all local and national taxes.

The effective income tax of the Group is accounted for as follows:

	2008	2007 (As restated)	2006 (As restated)
Income (loss) before income tax	**($14,350,346)**	$38,461,923	$37,580,910
Tax on:			
Income from foreign subsidiaries	**$1,982,193**	$2,898,599	$2,712,065
Income subject to 5% gross income tax	**248,629**	243,122	302,860
Income subject to regular tax	**175,510**	23,591	23,333
Others	**–**	19,869	1,775
Deferred income tax expense (benefit)	**25,670**	(483,183)	(178,197)
Effective income tax	**$2,432,002**	$2,701,998	$2,861,836

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.

Deferred income taxes of the Group relate to the tax effects of the following:

	2008	2007 (As restated)
Deferred income tax assets:		
Unutilized business loss	**$495,163**	$–
Allowance for inventory obsolescence	**215,342**	356,000
Capital allowance	**69,558**	–
Other general provisions	**29,874**	86,000
	809,937	442,000
Deferred income tax liabilities:		
Excess of net book value over tax written down value of fixed assets of subsidiaries	**(677,257)**	(118,000)
Revaluation of fixed assets of subsidiaries	**(104,172)**	(190,000)
Others	**(1,003)**	(80,825)
	(782,432)	(388,825)
Net deferred tax assets	**$27,505**	$53,175

Deferred income tax asset on the allowance for inventory obsolescence of VISTA and STJX amounting to $123,000 has not been recognized in 2008.

25. **Employee Benefits**

The Parent Company has a defined benefit pension plan covering substantially all of its employees, which requires contributions to be made to administered funds. The plan is administered by a local bank as trustee. The latest retirement valuation was made on December 31, 2008.

The following tables summarize the components of the net defined benefit expense recognized in the consolidated statement of income and the funded status and amounts recognized in the consolidated balance sheet for the plan:

Net defined benefit expense

	2008	2007	2006
Current service cost	**$922,933**	$819,824	$430,240
Interest cost on benefit obligation	**1,235,452**	954,227	821,430
Expected return on plan assets	**(1,290,911)**	(1,207,776)	(1,034,307)
Amortization of actuarial loss (gain)	**–**	116,567	(12,604)
Net defined benefit expense	**$867,474**	$682,842	$204,759

Net pension asset

	2008	2007
Plan assets	**$13,282,258**	$17,686,769
Benefit obligation	**4,589,104**	14,668,084
	8,693,154	3,018,685
Unrecognized net actuarial losses (gains)	**(6,239,724)**	302,219
Net pension asset	**$2,453,430**	$3,320,904

Movements in the net pension asset for the years ended December 31, 2008 and 2007 follow:

	2008	2007
At beginning of year	**$3,320,904**	$4,003,746
Net benefit expense	**(867,474)**	(682,842)
At end of year	**$2,453,430**	$3,320,904

The rollforward of the fair value of plan assets follows:

	2008	2007
At beginning of year	**$17,686,769**	$14,417,092
Expected return on plan assets	**1,290,911**	1,207,776
Benefits paid during the year	**(811,508)**	(480,515)
Actuarial gains (losses)	**(4,883,914)**	2,542,416
At end of year	**$13,282,258**	$17,686,769
Actual return on plan assets	**($3,593,003)**	$3,750,192

The Parent Company does not expect to contribute to the retirement fund in 2009 since the fair value of its plan assets exceeds the present value of its obligations.

The rollforward of the present value of obligation follows:

	2008	2007
At beginning of year	**$14,668,084**	$13,986,801
Interest cost on benefit obligation	**1,235,452**	954,227
Current service cost	**922,933**	819,824
Benefits paid during the year	**(811,508)**	(480,515)
Actuarial gain	**(11,425,857)**	(612,253)
At end of year	**$4,589,104**	$14,668,084

The rollforward of the unrecognized actuarial gains (losses) follows:

	2008	2007	2006
At beginning of year	**($302,219)**	($3,573,455)	$1,690,065
From plan assets	**(4,883,914)**	2,542,416	1,934,203
From pension obligation	**11,425,857**	612,253	(7,185,119)
Amortization of actuarial loss (gain)	**–**	116,567	(12,604)
At end of year	**$6,239,724**	($302,219)	($3,573,455)

The distribution of the plan assets at year-end follows:

	2008	2007
Government securities	**$4,027,857**	$5,409,658
Corporate bonds	**4,005,734**	3,368,025
Trust funds	**2,733,783**	3,301,810
Equities	**1,062,498**	2,868,675
Loans	**979,243**	1,007,325
Investment properties (Note 9)	**264,604**	304,603
Cash	**16,210**	126,902
Liabilities	**(37,710)**	(18,728)
Others	**230,039**	1,318,499
Total plan assets	**$13,282,258**	$17,686,769

The expected rates of return on the plan assets follow:

	2008	2007
Treasury bills	**10.10%**	6.00%
Equities	**11.00%**	22.00%
Corporate bonds	**8.90%**	8.00%
Others	**5.70%**	8.00%

The overall rates of return are based on the expected return within each asset category and on current asset allocations. The expected returns are developed in conjunction with external advisers and take into account both current market expectations of future returns, where available, and historical returns.

The principal assumptions used to determine pension benefits of the Parent Company are shown below:

	2008	2007
Discount rate	**14.90%**	8.24%
Expected rate of return on plan assets	**11.00%**	8.00%
Rate of salary increase	**4.00%-6.00%**	5.00%

The economic benefit available as a reduction in future contributions to the plan is assumed to be equal to the surplus in plan in 2008.

Amounts for the current and previous years follow:

	2008	2007	2006	2005
Plan assets	**$13,282,258**	$17,686,769	$14,417,092	$12,489,359
Defined benefit obligation	**4,589,104**	14,668,084	13,986,801	6,590,789
Surplus	**$8,693,154**	$3,018,685	$430,291	$5,898,570
Experience adjustments on plan assets	**$2,721,023**	$310,017	$927,046	$272,245
Experience adjustments on plan liabilities	**$4,720,473**	$2,885,346	$983,158	$684,778

Staff costs and other employee-related costs follow:

	2008	2007 (As restated)	2006 (As restated)
Wages and salaries	**$95,180,227**	$84,009,384	$65,857,744
Social security costs	**2,887,797**	2,881,419	1,902,929
Net defined benefit expense	**867,474**	682,842	204,759
Others	**26,629,146**	14,345,251	17,015,574
	$125,564,644	$101,918,896	$84,981,006

26. ESOWN

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

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

While the Parent Company remains privately-owned, it reserves the right to repurchase the shares at the original or stipulated subscription price.

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

On February 21, 2007, the Parent Company's BOD approved the granting of 45,150,000 shares of the Parent Company under the ESOWN at the subscription price of ₱12.50 to various employees of STEL and to the Parent Company's top performers and key personnel. In 2008, additional 1,539,000 were granted subject to the same terms as the shares subscribed in 2007. All the granted shares have been subscribed. The grantees will pay for the shares subscribed through installments over a period of 8 years, wherein an initial payment of 2.5% of the value of the subscribed shares is payable upon subscription. It shall serve as a down payment for the subscription. The subscribed shares have a holding period as follows: (a) 40% after one year from subscription date; (b) 30% after two years from subscription date; and (c) 30% after three years from subscription date. The actual grant date of the subscriptions was on October 15, 2007. The fair value, determined based on a private bank's valuation of the Parent Company to be used by a potential investor, was ₱14.98 per share. The difference between the fair value and the subscription price will be recognized as employee benefit expense over the required service period. In 2008, the management has approved a two-year moratorium on the scheduled payments due in 2008 and 2009 which resulted to an extension of the payment period from eight (8) to ten (10) years.

The employee benefit expense in 2008 and 2007 amounted to $1,484,498 and $396,962, respectively. The accretion recognized as increase in subscriptions receivable and additional paid-in capital presented in the consolidated statement of changes of equity in 2008 and 2007 amounted to $667,876 and $573,261, respectively (see Note 17).

27. Segment Information

The Group has only one reportable segment, with its strategic business units offering similar and related products and services and requiring the same technology and marketing strategies.

The following table presents revenues to external customers and certain noncurrent assets information regarding the Group's geographical segments:

	Revenues from External Customers			Property, Plant and Equipment, Goodwill and Intangible Assets	
	2008	2007 (As restated)	2006 (As restated)	**2008**	2007 (As restated)
Philippines	**$150,713,643**	$154,097,069	$123,273,648	**$30,259,839**	$36,759,758
USA	**102,342,473**	89,196,027	80,153,762	**781,319**	882,555
Europe	**92,802,896**	61,812,834	63,074,794	**–**	–
Asia	**75,344,593**	79,360,255	64,662,005	**96,196,528**	99,887,903
Japan	**19,941,077**	37,641,171	63,837,721	**28,035**	37,646
	$441,144,682	$422,107,356	$395,001,930	**$127,265,721**	$137,567,862

Revenues are attributed to countries on the basis of the customer's location. Revenues from one customer of the Group represent $73,077,114 or 17%, $78,314,695 or 19% and $64,083,950 or 16% of the Group's total revenues for the years ended December 31, 2008, 2007 and 2006, respectively.

28. **Lease Commitments**

The Group entered into operating lease agreements as follows:

Parent Company
The Parent Company leases its premises at Laguna International Industrial Park (LIIP). The lease agreement was renewed in April 30, 2008 and was for a one-year period up to March 31, 2009. The monthly rental on this operating lease agreements amounted to $34,865.

On December 13, 2005, the Parent Company entered into a lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease shall be for a three-year period commencing on December 31, 2005 up to December 31, 2008. On December 23, 2008, the Parent Company extended the lease contract for another three (3) years commencing from December 31, 2008 up to December 31, 2011. The lease contract is renewable at the option of TLI upon such terms and conditions and upon such rental rates as the parties may agree upon at the time of the renewal, taking into consideration comparable rental rates for similar properties prevailing at the time of renewal. The Parent Company shall advise TLI in writing at least sixty (60) days before the expiration of the term of its desire to renew the contract, which TLI may consider upon such terms and conditions as may be agreed upon between the parties. The Parent Company shall pay, as monthly rental for and in consideration of the use of the leased premises, the amount of $1,407, exclusive of value added tax.

On August 15, 2007, the Parent Company entered into an operating lease agreement with Panorama Property Ventures, Inc. (Panorama) for the lease of office and factory warehouse located at Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease shall be for a five-year period commencing on August 15, 2007 up to July 14, 2012 renewable at the option of the Parent Company subject to written conformity and consent of Panorama by giving notice at least sixty (60) days prior to the expiration of the contract. The Parent Company shall pay every six (6) months based on the due dates set forth in the contract without the necessity of any formal demand. On June 30, 2008, the Parent Company pre-terminated its operating lease agreement which comprised approximately 3,900 square meters of office and factory warehouse space with Panorama.

On March 22, 2006, the Parent Company entered into three-year lease agreement with IBM Philippines, Inc. for use of various computer equipment items commencing from August 2006 to August 2009. The lease includes a clause that will provide an option to the Parent Company to: (a) return the equipment to lessor; (b) extend the lease; or (c) purchase the equipment items from the lessor at fair market values. The lease agreement provides monthly rental payments of $17,141.

The Parent Company also leases condominium units for the occupancy of its officers and several managers. The terms are usually for two (2) to four (4) months and are normally renewable under conditions specified in separate lease contracts.

The Parent Company leases two office condominium units where some of its facilities are located under noncancellable operating leases with Cyberzone Properties Inc. The lease agreements are for a three-year period up to July 2008 and August 2008. On August 15, 2008, the lease agreement was extended for another three (3) years commencing September 1, 2008 to August 31, 2011. The lease contains provisions including but not limited to escalation rate of 7% per year and early termination penalties. The lease provides quarterly rental payments of $26,364 on first year of the lease term.

IMI Japan
On December 1, 2006, IMI Japan entered into two-year contract with Kaneshichi Administration for lease of its office premises commencing on December 1, 2006, whereby it is committed to pay a monthly rental of $6,406. The lease agreement provides for automatic renewal of the lease contract for another two (2) years unless prior notice of termination is given to the lessor.

IMI USA
On July 17, 2008, IMI USA entered into seven-year contract with Roy G.G. Harris and Patricia S. Harris for lease of its office premises commencing on August 2008 to November 2014. The lease contains provisions including but not limited to escalation rate of 3% per year and early termination penalties. The lease provides monthly rental payments of $13,464 on first year of the lease term.

IMI Singapore and STEL
IMI Singapore and STEL Group has various operating lease agreements in respect of office premises and land. These noncancellable leases have remaining noncancellable lease terms of between 1 to 50 years. Most leases contain renewable options. There are no restrictions placed upon the lessee by entering into these leases.

The aggregate rent expense of the Group included under "Outsourced activities" account recognized on these operating lease agreements for the years ended December 31, 2008, 2007 and 2006 amounted to $2,881,928, $2,530,890 and $1,761,351, respectively (see Note 21). Deposits made under these operating lease agreements are intended to be applied against the remaining lease payments.

These operating lease agreements include clauses to enable upward revision with the rental charges on the agreed dates. Future minimum rentals payable under noncancellable operating leases as at December 31, 2008 and 2007 follows:

	2008	2007 (As restated)
Within one year	**$1,062,746**	$1,399,836
After one year but not more than five years	**2,140,567**	2,583,589
More than five years	**316,800**	411,000
	$3,520,113	$4,394,425

29. **Related Party Transactions**

BPI
The Group has the following transactions with BPI and BPI Family Bank, affiliates through AC:

a. The Group maintains savings and current accounts and short-term deposits, the balances of which follow (see Note 4):

	2008	2007
Savings and current accounts	**$656,710**	$359,676
Short-term deposits	**22,925,589**	1,050,782
	$23,582,299	$1,410,458

b. The Group has outstanding housing and automobile financing loans amounting to $17,535 and $19,631, as at December 31, 2008 and 2007, respectively, included in "Employee-related payables" under "Accounts payable and accrued expenses" (see Note 13). The outstanding housing and automobile financing loan arises from the differences in the timing of remittances by the Parent Company to BPI and the period of withholding from employee salaries and wages.

Key management personnel
Key management personnel of the Group include all management committee members. Compensation of key management personnel by benefit type follows:

	2008	2007 (As restated)	2006 (As restated)
Short-term employee benefits	**$3,754,539**	$3,203,563	$2,709,648
Post-employment benefits	**308,950**	293,371	322,552
Share-based payments	**482,301**	164,811	–
	$4,545,790	$3,661,745	$3,032,200

30. Financial Instruments

The following table sets forth the comparison by category of the carrying values and fair values of the Group's financial assets and liabilities recognized as at December 31, 2008 and 2007. There are no material unrecognized financial assets and liabilities as at December 31, 2008 and 2007.

	Carrying Value		**Fair Value**	
	December 31, 2008	December 31, 2007 (As restated)	**December 31, 2008**	December 31, 2007 (As restated)
Financial Assets				
Financial assets at FVPL				
Derivative assets	**$–**	$2,042,019	**$–**	$2,042,019
Loans and receivables				
Cash and cash equivalents	**57,604,535**	28,288,830	**57,604,535**	28,288,830
Trade	**66,040,545**	73,896,783	**66,040,545**	73,896,783
Nontrade	**5,905,691**	3,804,412	**5,905,691**	3,804,412
Receivable from employees	**2,062,547**	1,467,486	**2,062,547**	1,467,486
Receivable from Meralco - current	**554,612**	1,018,286	**554,612**	1,018,286
Others	**363,840**	1,663,487	**363,840**	1,663,487
Noncurrent receivables	**2,922,015**	5,230,875	**3,016,221**	5,271,349
Miscellaneous deposits	**924,564**	976,854	**924,564**	976,854
	136,378,349	116,347,013	**136,472,555**	116,387,487
AFS financial assets	**265,046**	360,465	**265,046**	360,465
Total Financial Assets	**$136,643,395**	$118,749,497	**$136,737,601**	$118,789,971

(Forward)

	Carrying Value		Fair Value	
	December 31, 2008	December 31, 2007 (As restated)	**December 31, 2008**	December 31, 2007 (As restated)
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued expenses				
Trade	**$40,906,065**	$43,114,571	**$40,906,065**	$43,114,571
Accrued expenses	**17,372,131**	16,664,168	**17,372,131**	16,664,168
Accrued payroll	**2,053,852**	2,330,382	**2,053,852**	2,330,382
Employee-related payables	**698,262**	906,024	**698,262**	906,024
Accrued interest payable	**567,063**	635,506	**567,063**	635,506
Dividends payable	**560,727**	–	**560,727**	–
Nontrade	**348,891**	4,868,922	**348,891**	4,868,922
Others	**4,651,964**	2,422,506	**4,651,964**	2,422,506
Loans payable	**17,110,107**	9,007,819	**17,110,107**	9,007,819
Long-term debt	**54,000,000**	62,000,000	**54,131,099**	62,020,079
Total Financial Liabilities	**$138,269,062**	$141,949,898	**$138,400,161**	$141,969,977

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

All loans and receivables except noncurrent receivables and miscellaneous deposits - Carrying amounts approximate fair values due to the relative short-term maturities of these investments.

Derivative assets - The fair value was derived from the mark-to-market valuations as provided by the Group's counterparty banks.

Noncurrent receivables - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used range from 9.68% to 10.06% in 2008 and 7.69% to 7.86% in 2007.

Miscellaneous deposits - Carrying amounts approximate fair values since the fair values of certain deposits cannot be reasonably and reliably estimated.

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

Accounts payable and accrued expenses and loans payable - The fair values of accounts payable and accrued expenses and short-term debt approximate the carrying amounts due to the short-term nature of these transactions.

Long-term debt - The fair value of long-term debt (fixed rate and variable rate loans repriced on a semi-annual basis) are estimated using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used are 2.50% and 5.35% in 2008 and 2007, respectively.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

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

The Group's principal financial instruments composed of 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, accounts 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 derivative transactions including structured currency options 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 obtains additional financing through bank borrowings. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) as at December 31, 2008 and 2007. There is no other impact on the Group's equity other than those already affecting the income.

Increase/decrease in basis points	Effect on profit before tax **2008**	2007
+100	**($540,000)**	($620,000)
-100	**540,000**	620,000

The following table shows the information about the Group's financial instruments as at December 31, 2008 and 2007 that are exposed to interest rate risks and presented by maturity profile.

	Long-Term Debt LIBOR Plus margin of 0.75% to 0.80%	
	2008	2007
Within one year	**$8,000,000**	$8,000,000
1-2 years	**8,000,000**	8,000,000
2-3 years	**8,000,000**	8,000,000
3-4 years	**30,000,000**	8,000,000
4-5 years	–	30,000,000
	$54,000,000	$62,000,000

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short and long term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projects and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks.

Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

2008

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Accounts payable and accrued expenses					
Trade payables	**$40,906,065**	**$–**	**$–**	**$–**	**$40,906,065**
Accrued expenses	**17,372,131**	**–**	**–**	**–**	**17,372,131**
Accrued payroll	**2,053,852**	**–**	**–**	**–**	**2,053,852**
Employee-related payables	**698,262**	**–**	**–**	**–**	**698,262**
Accrued interest payable	**567,063**	**–**	**–**	**–**	**567,063**
Dividends payable	**560,727**	**–**	**–**	**–**	**560,727**
Nontrade payables	**348,891**	**–**	**–**	**–**	**348,891**
Others	**4,651,964**	**–**	**–**	**–**	**4,651,964**
Loans payable	**–**	**17,628,768**	**–**	**–**	**17,628,768**
Long-term debt	**–**	**–**	**10,106,069**	**49,757,862**	**59,863,931**
	$67,158,955	**$17,628,768**	**$10,106,069**	**$49,757,862**	**$144,651,654**

2007 (As restated)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and accrued expenses					
Trade payables	$43,114,571	$–	$–	$–	$43,114,571
Accrued expenses	16,664,168	–	–	–	16,664,168
Accrued payroll	2,330,382	–	–	–	2,330,382
Employee-related payables	906,024	–	–	–	906,024
Accrued interest payable	635,506	–	–	–	635,506
Dividends payable	–	–	–	–	–
Nontrade payables	4,868,922	–	–	–	4,868,922
Others	2,422,506	–	–	–	2,422,506
Loans payable	–	9,491,206	–	–	9,491,206
Long-term debt	–	–	10,915,094	61,485,450	72,400,544
	$70,942,079	$9,491,206	$10,915,094	$61,485,450	$152,833,829

Credit Lines
The Group has credit lines with different financing institutions as at December 31, 2008 and 2007 as follow:

2008

Financial Institutions	**Credit Limit**	**Available Credit Line**
Local:		
U.S. Dollar	**$36,000,000**	**$28,000,000**
Philippine Peso	**₱1,060,000,000**	**₱1,060,000,000**
Foreign:		
U.S. Dollar	**$33,900,000**	**$33,199,721**
Singapore Dollar	**SGD31,183,827**	**SGD17,167,417**
Hong Kong Dollar	**HKD38,152,443**	**HKD38,152,443**

2007

Financial Institutions	Credit Limit	Available Credit Line
Local:		
U.S. Dollar	$16,000,000	$16,000,000
Philippine Peso	₱1,160,000,000	₱1,160,000,000
Foreign:		
U.S. Dollar	$39,071,297	$35,507,241
Singapore Dollar	SGD33,911,150	SGD21,606,586

Credit risk
Credit risk is the risk that the Group's counterparty to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and short-term investments and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Cash terms, advance payments and letters of credit are required for customers of lower credit standing.

With respect to credit risk arising from other financial assets of the Group, which comprises cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated balance sheets.

	2008	2007 (As restated)
Cash and cash equivalents	**$57,604,535**	$28,288,830
Derivative assets	**–**	2,042,019
Loans and receivables		
Trade	**66,040,545**	73,896,783
Nontrade	**5,905,691**	3,804,412
Receivables from employees	**2,062,547**	1,467,486
Receivable from Meralco - current	**554,612**	1,018,286
Others	**363,840**	1,663,487
Noncurrent receivables	**2,922,015**	5,230,875
Miscellaneous deposits	**924,564**	976,854
AFS financial assets	**265,046**	360,465
Total credit risk exposure	**$136,643,395**	$118,749,497

The Group has 30% and 27% of trade receivables relating to three (3) major customers as at December 31, 2008 and 2007, respectively.

As at December 31, 2008 and 2007, the analysis of loans and receivables, noncurrent receivables and miscellaneous deposit follow:

2008

	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**	
Trade	**$66,295,146**	**$61,711,292**	**$2,872,671**	**$1,012,534**	**$5,126**	**$–**	**$438,923**	**$254,600**
Nontrade	**6,344,747**	**4,188,218**	**427,040**	**69,264**	**8,312**	**579,345**	**633,511**	**439,057**
Receivables from employees	**2,062,547**	**2,062,547**	**–**	**–**	**–**	**–**	**–**	**–**
Receivable from Meralco	**554,612**	**554,612**	**–**	**–**	**–**	**–**	**–**	**–**
Others	**363,840**	**42,261**	**81,019**	**88,163**	**48,023**	**35,122**	**69,252**	**–**
	$75,620,892	**$68,558,930**	**$3,380,730**	**$1,169,961**	**$61,461**	**$614,467**	**$1,141,686**	**$693,657**
Noncurrent receivables	**$2,922,015**	**$2,922,015**	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**
Miscellaneous deposits	**$924,564**	**$924,564**	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**

2007 (As restated)

	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	
Trade	$74,692,341	$26,507,249	$40,051,087	$141,077	$5,368,239	$1,804,010	$25,121	$795,558
Nontrade	3,899,306	582,220	124,303	141,325	323,502	2,384,067	248,995	94,894
Receivables from employees	1,467,486	1,090,451	7,559	68,955	52,936	72,537	175,048	–
Receivable from Meralco	1,018,286	1,018,286	–	–	–	–	–	–
Others	1,663,487	52,212	1,341,098	30,004	42,234	71,504	126,435	–
	$82,740,906	$29,250,418	$41,524,047	$381,361	$5,786,911	$4,332,118	$575,599	$890,452
Noncurrent receivables	$5,230,875	$5,230,875	$–	$–	$–	$–	$–	$–
Miscellaneous deposits	$976,854	$976,854	$–	$–	$–	$–	$–	$–

The following table summarizes the credit quality of the Group's financial assets as at December 31, 2008 and 2007:

2008

	Neither past due nor impaired				**Past due or individually impaired**	
	Minimal risk	**Average risk**	**Fairly high risk**	**High risk**		**Total**
Cash and cash equivalents	**$57,604,535**	**$–**	**$–**	**$–**	**$–**	**$57,604,535**
Loans and receivables						
Trade	**18,008,808**	**27,465,969**	**16,167,232**	**69,283**	**4,583,854**	**66,295,146**
Nontrade	**365,742**	**3,810,589**	**11,887**	**–**	**2,156,529**	**6,344,747**
Receivable from employees	**2,062,547**	**–**	**–**	**–**	**–**	**2,062,547**
Receivable from Meralco	**554,612**	**–**	**–**	**–**	**–**	**554,612**
Others	**42,261**	**–**	**–**	**–**	**321,579**	**363,840**
Noncurrent receivables	**2,922,015**	**–**	**–**	**–**	**–**	**2,922,015**
Miscellaneous deposits	**924,564**	**–**	**–**	**–**	**–**	**924,564**
AFS financial assets	**265,046**	**–**	**–**	**–**	**–**	**265,046**
	$82,750,130	**$31,276,558**	**$16,179,119**	**$69,283**	**$7,061,962**	**$137,337,052**

2007 (As restated)

	Neither past due nor impaired				Past due or individually impaired	
	Minimal risk	Average risk	Fairly high risk	High risk		Total
Cash and cash equivalents	$28,288,830	$–	$–	$–	$–	$28,288,830
Derivative assets	2,042,019	–	–	–	–	2,042,019
Loans and receivables						
Trade	14,451,172	11,755,441	300,636	–	48,185,092	74,692,341
Nontrade	89,628	443,207	43,223	6,162	3,317,086	3,899,306
Receivable from employees	–	1,090,451	–	–	377,035	1,467,486
Receivable from Meralco	1,018,286	–	–	–	–	1,018,286
Others	3,434		–	48,778	1,611,275	1,663,487
Noncurrent receivables	5,230,875	–	–	–	–	5,230,875
Miscellaneous deposits	976,854	–	–	–	–	976,854
AFS financial assets	360,465	–	–	–	–	360,465
	$52,461,563	$13,289,099	$343,859	$54,940	$53,490,488	$119,639,949

The Group classifies credit quality as follows:

Minimal Risk - credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - credit could be extended under a confirmed and irrevocable Letters of Credit at sight or usance, and subject to semi-annual review for possible upgrade.

High Risk - transaction should be under advance payment or confirmed and irrevocable Stand-By Letters of credit; subject to quarterly review for possible upgrade after one year.

Foreign currency risk

The Group's foreign exchange risk results primarily from movements of U.S. Dollar against other currencies. As a result of significant operating expenses in Philippine Peso, the Group's consolidated statement of income can be affected significantly by movements in the U.S. Dollar. The Group entered into structured currency options to hedge its risks associated with foreign currency fluctuations.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases other than the Group's functional currency. Approximately 19% and 12% of the Group's sales for the years ended December 31, 2008 and 2007, respectively, and 73% and 72% of costs for the years ended December 31, 2008 and 2007, respectively, are denominated in other than the Group's functional currency.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider to hedge any material exposure where appropriate.

Information on Group's foreign currency-denominated monetary assets and liabilities and their U.S. Dollar equivalents follows:

Philippine Peso (₱)

	2008		2007 (As restated)	
	In U.S. Dollar	**In Philippine Peso**	In U.S. Dollar	In Philippine Peso
Cash and cash equivalents	**$16,469,632**	**₱782,636,910**	$4,646,155	₱191,793,278
Loans and receivables	**2,058,033**	**97,797,742**	844,650	34,867,152
AFS financial assets	**265,046**	**12,594,986**	360,465	14,879,995
Noncurrent receivables	**2,922,015**	**138,854,153**	5,230,875	215,930,520
Miscellaneous deposits	**924,564**	**43,935,281**	976,854	40,324,533
Accounts payable and accrued expenses	**(11,221,693)**	**(533,254,828)**	(11,538,539)	(476,310,890)
Net foreign currency-denominated assets	**$11,417,597**	**₱542,564,244**	$520,460	₱21,484,588

Singapore Dollar (SGD)

	2008		2007 (As restated)	
	In U.S. Dollar	**In Singapore Dollar**	In U.S. Dollar	In Singapore Dollar
Cash and cash equivalents	**$838,489**	**SGD1,216,480**	$53,622	SGD77,725
Loans and receivables	**41,610**	**60,367**	256,107	371,227
Accounts payable and accrued expenses	**(680,295)**	**(986,972)**	(2,456,148)	(3,560,186)
Loans payable	**(4,790,107)**	**(6,949,487)**	(9,007,819)	(13,056,834)
Net foreign currency-denominated liabilities	**($4,590,303)**	**(SGD6,659,612)**	($11,154,238)	(SGD16,168,068)

Euro (€)

	2008		2007 (As restated)	
	In U.S. Dollar	**In Euro**	In U.S. Dollar	In Euro
Cash and cash equivalents	**$116,310**	**€83,370**	$1,538,591	€1,051,884
Loans and receivables	**116,887**	**83,784**	25,816	17,650
Accounts payable and accrued expenses	**(1,004,949)**	**(720,342)**	(1,015,607)	(694,337)
Net foreign currency-denominated assets (liabilities)	**($771,752)**	**(€553,188)**	$548,800	€375,197

Japanese Yen (¥)

	2008		2007 (As restated)	
	In U.S. Dollar	**In Japanese Yen**	In U.S. Dollar	In Japanese Yen
Cash and cash equivalents	**$492,884**	**¥44,823,969**	$1,199,640	¥136,384,755
Loans and receivables	**1,016,232**	**92,418,322**	385,830	43,864,310
Accounts payable and accrued expenses	**(881,616)**	**(80,176,042)**	(3,469,302)	(394,418,117)
Net foreign currency-denominated assets (liabilities)	**$627,500**	**¥57,066,249**	($1,883,832)	(¥214,169,052)

Renminbi (RMB)

	2008		2007 (As restated)	
	In U.S. Dollar	**In Renminbi**	In U.S. Dollar	In Renminbi
Cash and cash equivalents	**$2,410,383**	**RMB16,507,549**	$2,766,209	RMB20,241,690
Loans and receivables	**19,402,943**	**132,881,407**	17,169,509	125,637,607
Accounts payable and accrued expenses	**(15,053,845)**	**(103,096,530)**	(13,246,534)	(96,931,301)
Net foreign currency-denominated assets	**$6,759,481**	**RMB46,292,426**	$6,689,184	RMB48,947,996

Hong Kong Dollar (HK$)

	2008		2007 (As restated)	
	In U.S. Dollar	**In Hong Kong Dollar**	In U.S. Dollar	In Hong Kong Dollar
Cash and cash equivalents	**$56,847**	**HK$440,544**	$–	HK$–
Loans and receivables	**167,825**	**1,300,593**	–	–
Accounts payable and accrued expenses	**(1,556,222)**	**(12,060,279)**	–	–
Net foreign currency-denominated liabilities	**($1,331,550)**	**(HK$10,319,142)**	$–	HK$–

Swiss Franc (₣)

	2008		2007 (As restated)	
	In U.S. Dollar	**In Swiss Franc**	In U.S. Dollar	In Swiss Franc
Accounts payable and accrued expenses	**($11,494)**	**(₣12,500)**	$–	₣–

UK Pound (£)

	2008		2007 (As restated)	
	In U.S. Dollar	**In UK Pound**	In U.S. Dollar	In UK Pound
Loans and receivables	**$213**	**£144**	$–	£–

Sensitivity analysis
The following table demonstrates sensitivity to a reasonably possible change in the U.S. Dollar exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as at December 31, 2008 and 2007. There is no other impact on the Group's equity other than those already affecting the income. The increase in U.S. Dollar rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger U.S. Dollar value.

2008

Currency	**Increase/decrease in U.S. Dollar rate**	**Effect on profit before tax**
PHP	**+3%**	**(342,528)**
	-3%	**342,528**
SGD	**+2%**	**91,806**
	-2%	**(91,806)**
JPY	**+4%**	**(25,100)**
	-4%	**25,100**
EUR	**+3%**	**23,153**
	-3%	**(23,153)**
RMB	**+1%**	**(67,595)**
	-1%	**67,595**
CHF	**+4%**	**460**
	-4%	**(460)**
GBP	**+3%**	**(6)**
	-3%	**6**

2007 (As restated)

Currency	Increase/decrease in U.S. Dollar rate	Effect on profit before tax
PHP	+2%	($10,409)
	-2%	10,409
SGD	+1%	111,542
	-1%	(111,542)
JPY	+2%	37,677
	-2%	(37,677)
EUR	+2%	(10,976)
	-2%	10,976
RMB	+1%	(66,892)
	-1%	66,892

Freestanding derivatives
The Group entered into structured currency options that are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income under “Foreign exchange gains (losses)”. As at December 31, 2007, the outstanding notional amount of the structured currency options amounted to $11,115,675 with mark-to-market gains recognized in the consolidated statement of income and presented as derivative assets in the consolidated balance sheet amounting to $2,042,019 arising from transactions with the following banks:

Banks	Fair values
Citibank	$1,179,166
Deutsche Bank	612,853
Goldman Sachs	250,000
	$2,042,019

In 2008, the Group entered into additional structured currency options. The weakening of the peso during the second quarter of 2008 resulted to an unfavorable position on the Group's derivative transactions. In May 2008, the BOD approved the unwinding of four major derivative contracts and the Group incurred unwinding cost amounting to $33,360,500. Outstanding liability on unwinding cost amounted to $2,295,500 shown as part of "Other accounts payable and accrued expenses" (see Note 13).

The remaining outstanding structured currency options after the unwinding program have maturity dates of up to November 2008.

Fair Value Changes on Derivatives
The net movements in fair value changes of the Group's derivative instruments as at December 31, 2008 and 2007 follow:

	2008	2007
Balance at beginning of year	**$2,042,019**	$–
Net changes in fair value of derivatives not designated as accounting hedges	**(33,999,544)**	3,880,781
	(31,957,525)	3,880,781
Fair value of settled instruments	**31,957,525**	(1,838,762)
	$–	$2,042,019

The net changes in fair value of settled derivative instruments not designated as accounting hedges are recognized in the consolidated statements of income as "Foreign exchange gains (losses)". The fair value of settled instruments includes the unwinding cost of $33,360,500 for the year ended December 31, 2008.

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

The Group is not subject to externally imposed capital requirements.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity. Debt consists of loans payable and long-term debt. Net debt includes loans payable and long-term debt less cash equivalents. The Group considers as capital the equity attributable to the equity holders of the Parent Company.

	2008	2007 (As restated)
Loans payable	**$17,110,107**	$9,007,819
Long-term debt	**54,000,000**	62,000,000
Total debt	**71,110,107**	71,007,819
Less: Cash and cash equivalents	**(57,604,535)**	(28,288,830)
Net debt	**$13,505,572**	$42,718,989
Equity attributable to equity holders of the Parent Company	**$159,630,930**	$158,152,202
Debt to equity ratio	**45%**	45%
Net debt to equity ratio	**8%**	27%

32. **Contingencies**

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

Under certain consignment contracts with certain customers, the Group receives materials and machineries deemed necessary to enable the Group to schedule production efficiently. These, however, are not included in the inventory and property, plant and equipment accounts.

Flexible Experts

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