



**Integrated Micro-Electronics, Inc.**

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Special Export Processing Zone  
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Biñan Laguna 4024 Philippines

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30 January 2018

**Securities and Exchange Commission**  
SEC Building, EDSA, Mandaluyong City

Attention: Ms. Justina F. Callangan  
Director, Corporation & Finance Department

**Philippine Stock Exchange**  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention: Mr. Jose Valeriano B. Zuño III  
OIC – Head, Disclosure Department

**Subject:** Press Release – IMI obtains PSE Board Approval for up to PHP5.0 billion Stock Rights Offer

Ladies and Gentlemen:

Please be informed that Integrated Micro-Electronics, Inc. ("IMI") is releasing to the press the attached statement regarding IMI's stock rights offer.

Thank you.

Respectfully,

  
**JEROME S. TAN**  
Chief Finance Officer

## IMI obtains PSE Board Approval for up to PHP5.0 billion Stock Rights Offer

On 24 January 2018, Integrated Micro-Electronics, Inc. (“IMI” or the “Company”) has obtained the approval of The Philippine Stock Exchange, Inc. (“PSE”) for a stock rights offer (“SRO” or the “Offer”) of up to 350 million new common shares (“Rights Shares”) to Eligible Shareholders in order to raise up to PHP5.0 billion in proceeds. The SRO is exempt from registration, as confirmed by the Securities and Exchange Commission on 19 December 2017. Summarized below are the key indicative terms and timetable of the SRO:

Offer Price	Up to PHP[●] per Rights share, equivalent to a [●]% discount to the volume-weighted average price of the Company’s Common Shares traded on the PSE for the [●]-day trading period ending on the Pricing Date
Number of Shares to be Offered	Up to 350 million Common Shares
Entitlement Ratio	One Rights Share for every [at least 5.3351] Common Shares
Pricing Date	7 February 2018
Ex-Rights Date	9 February 2018
Record Date	14 February 2018
Start of Offer Period	19 February 2018, 9:00 a.m., Manila time
End of Offer Period	23 February 2018, 12:00 noon, Manila time

The proceeds from the Offer will be used for the Company’s budgeted capital expenditures and debt refinancing.

AC Industrial Technology Holdings Inc. (“AC Industrial”), IMI’s controlling shareholder, and Resins Incorporated (“Resins”), which beneficially own an aggregate of 63.46% of the Company, have expressed their full support for the Company’s proposed Offer. AC Industrial and Resins commit to purchase their entitlement of the Rights Shares and any unsubscribed Rights Shares after the mandatory Second Round of the SRO.

The Offer is open to existing common shareholders of the Company as of 14 February 2018, (the “Record Date”) who are: (i) located inside the Philippines, or (ii) located in jurisdictions outside the Philippines and outside the United States where it is legal to participate in the Offer under the securities laws of such jurisdictions without requiring registration or the need to obtain regulatory approvals under such laws (the “Eligible Shareholders”). All Eligible Shareholders as of the Record Date will be notified of the Offer and their respective rights entitlements (the “Notice to Stockholders”).

Interested Eligible Shareholders should refer to the “Application to Subscribe” form attached to the Notice to Stockholders and to be uploaded in the Company website, and submit duly executed applications accompanied with the supporting documents and the check payment or deposit slip, to BPI Stock Transfer Office (the “Receiving Agent”) at designated receiving centers within the Offer Period.

IMI has appointed BPI Capital Corporation as Sole Issue Manager, Bookrunner and Underwriter to the Offer.

For more information, please visit <http://www.global-imi.com/>. Any question related to the Offer may be directed to the following:

**Georgia V. Guiang**  
Associate Director  
BPI Capital Corporation  
Tel. No. 845-5696

**April Ria M. Ng Uy**  
Associate Director  
BPI Capital Corporation  
Tel. No. 845-5352

**THE OFFER OF THE RIGHTS SHARES IS EXEMPT FROM REGISTRATION PURSUANT TO SECTION 10.1(e) OF THE SECURITIES AND REGULATION CODE AND, ACCORDINGLY THE RIGHTS SHARES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE AND ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE SECURITIES**

**REGULATION CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.**

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THE PROSPECTUS PREPARED IN CONNECTION WITH THE OFFER IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

## **About IMI**

Integrated Micro-Electronics Inc. (IMI), the manufacturing portfolio of AC Industrial Technology Holdings, Inc., a wholly-owned subsidiary of Ayala Corp. is among the leading global manufacturing solutions providers in the world. IMI ranks 20th in the list of top 30 EMS providers in the world by the Manufacturing Market Insider, based on 2016 revenues. In the automotive segment, it is the sixth largest EMS provider in the world per New Venture Research.

IMI specializes in highly reliable and quality electronics for long product life cycle segments such as automotive and industrial electronics.

For the automotive segment, IMI delivers customized solutions for safety and security, among others. It supplies cameras that are integral technology to the advanced driver assistance systems (ADAS). For the industrial segment, it manufactures security and access control devices, power modules, and building automation, among others. From its manufacturing plants in the United States, Mexico, Bulgaria, Czech Republic, Germany, China, United Kingdom and the Philippines, IMI provides engineering, manufacturing, and support and fulfillment capabilities to diverse industries globally. For more information, visit [www.global-imi.com](http://www.global-imi.com).

For the first ten months of 2017 and ending on October 31, IMI reported revenues and net income of US\$889.8 million (PHP44.7 billion) and US\$20.8 million (PHP1.05 billion), respectively.

For more information you may send an email to [ir@global-imi.com](mailto:ir@global-imi.com)

THIS ANNOUNCEMENT DOES NOT CONSTITUTE AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. The Rights Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States or other jurisdiction and the Rights Shares may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

This announcement does not constitute or form part of and should not be construed as an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company or any of its subsidiaries or affiliates in any jurisdiction or as an inducement to enter into investment activity. No part of this document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This document is not financial, legal, tax or other product advice.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET**

**AS OF OCTOBER 31, 2017**

(With Comparative Audited Figures as of December 31, 2016)

(In thousands)

	(Unaudited) Oct 31, 2017	(As Restated - Note 2) Dec 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	\$67,559	\$86,549
Receivables - net (Note 5)	259,792	198,203
Inventories (Note 6)	181,304	106,132
Other current assets (Note 7)	27,021	16,091
Total Current Assets	535,676	406,975
<b>Noncurrent Assets</b>		
Property, plant and equipment - net (Note 8)	155,818	117,405
Goodwill (Notes 2 and 17)	142,871	91,416
Intangible assets - net (Note 9)	21,928	18,317
Available-for-sale financial assets (Note 19)	758	741
Deferred tax assets	1,033	1,552
Other noncurrent assets	2,044	2,722
Total Noncurrent Assets	324,452	232,153
	\$860,128	\$639,128
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 10)	\$275,841	\$195,676
Loans and trust receipts payable (Note 11)	123,261	51,445
Financial liabilities (Notes 2 and 13)	26,356	11,334
Current portion of long-term debt (Note 12)	6,442	8,185
Income tax payable	4,564	3,451
Total Current Liabilities	436,464	270,091
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Long-term debt (Notes 12 and 19)	136,646	121,144
Contingent consideration (Notes 2 and 13)	24,570	-
Advances from customers	995	1,138
Net retirement liabilities	3,848	4,092
Deferred tax liabilities	2,777	3,035
Accrued rent	85	85
Other noncurrent liabilities	971	216
Total Noncurrent Liabilities	169,892	129,710
Total Liabilities	606,356	399,801

(Forward)

	<b>(Unaudited)</b> <b>Oct 31, 2017</b>	(As Restated - Note 2) Dec 31, 2016
<b>EQUITY (Note 14)</b>		
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock - common	<b>\$35,554</b>	\$34,936
Subscribed capital stock	<b>1,214</b>	1,857
Additional paid-in capital	<b>58,131</b>	70,928
Subscriptions receivable	<b>(10,058)</b>	(12,335)
Unappropriated retained earnings	<b>181,260</b>	168,932
Treasury stock	<b>(1,013)</b>	(1,013)
Reserve for fluctuation on available-for-sale financial assets	<b>413</b>	369
Cumulative translation adjustment	<b>(9,019)</b>	(20,640)
Other comprehensive loss	<b>(6,428)</b>	(6,428)
	<b>250,054</b>	236,606
<b>Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries</b>		
	<b>3,718</b>	2,721
Total Equity	<b>253,772</b>	239,327
	<b>\$860,128</b>	\$639,128

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE TEN MONTHS ENDED OCTOBER 31, 2017 AND 2016**  
(In thousands, except Earnings per Share)

	Unaudited 2017 Jan to Oct	Unaudited 2016 Jan to Oct
<b>REVENUES</b>		
Sale of goods	\$835,933	\$635,092
Sale of services	53,907	55,001
	<b>889,840</b>	<b>690,093</b>
<b>COST OF GOODS SOLD AND SERVICES</b>		
Cost of goods sold	738,664	561,290
Cost of services	50,355	49,168
	<b>789,019</b>	<b>610,458</b>
<b>GROSS PROFIT</b>	<b>\$100,821</b>	<b>79,635</b>
<b>OPERATING EXPENSES</b> (Note 15)	<b>(71,858)</b>	<b>(43,580)</b>
<b>OTHERS - Net</b>		
Interest and bank charges	(6,164)	(2,843)
Foreign exchange gains (losses)	1,479	(2,129)
Interest income	264	210
Miscellaneous income (expense) - net	2,231	(137)
<b>INCOME BEFORE INCOME TAX</b>	<b>\$26,773</b>	<b>31,156</b>
<b>PROVISION FOR INCOME TAX</b>	<b>(5,832)</b>	<b>(5,393)</b>
<b>NET INCOME</b>	<b>\$20,941</b>	<b>\$25,763</b>
<b>Net Income (Loss) Attributable to:</b>		
Equity holders of the Parent Company	\$20,762	\$25,768
Non-controlling interests	179	(5)
	<b>\$20,941</b>	<b>\$25,763</b>
<b>Earnings Per Share:</b>		
Basic and diluted (Note 16)	<b>\$0.011</b>	<b>\$0.014</b>

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE**  
**INCOME**  
**FOR THE TEN MONTHS ENDED OCTOBER 31, 2017 AND 2016**  
(In thousands)

	Unaudited 2017 Jan to Oct	Unaudited 2016 Jan to Oct
<b>NET INCOME FOR THE PERIOD</b>	<b>\$20,941</b>	<b>\$25,763</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	11,621	(1,193)
Fair value changes on available-for-sale financial assets	44	61
	<b>11,665</b>	<b>(1,132)</b>
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:		
Remeasurement gains on defined benefit plans	–	57
	<b>11,665</b>	<b>(1,075)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$32,606</b>	<b>\$24,688</b>
<b>Total Comprehensive Income (Loss)</b>		
<b>Attributable to:</b>		
Equity holders of the Parent Company	\$32,427	\$24,693
Non-controlling interests	179	(5)
	<b>\$32,606</b>	<b>\$24,688</b>

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE TEN MONTHS ENDED OCTOBER 31, 2017, AND 2016**  
(In thousands)

	Attributable to Equity Holders of the Parent Company										
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Comprehensive Loss	Other	Attributable to Non-controlling Interests	Total
					Unappropriated						
Balances at January 1, 2017	\$34,936	\$1,857	\$70,928	(\$12,335)	\$168,932	(\$1,013)	(\$20,640)	(\$6,428)		\$2,721	\$239,327
Issued shares during the period	618	(618)									
Cost of share-based payments			256								256
Collections on subscriptions				2,076							2,076
Forfeitures during the period		(25)	(176)	201							
Effect of recognition of financial liability arising from put options on business combination (Note 14)			(12,877)								(12,877)
Increase in non-controlling interest due to the acquisition of a subsidiary during the period										818	818
Cash dividends (Note 14)					(8,434)						(8,434)
Net income	35,554	1,214	58,131	(10,058)	160,498	(1,013)	(20,640)	(6,428)		3,539	221,166
Other comprehensive income					20,762					179	20,941
Total comprehensive income					20,762					179	32,606
<b>Balances at October 31, 2017</b>	<b>\$35,554</b>	<b>\$1,214</b>	<b>\$58,131</b>	<b>(\$10,058)</b>	<b>\$181,260</b>	<b>(\$1,013)</b>	<b>(\$9,019)</b>	<b>(\$6,428)</b>		<b>\$3,718</b>	<b>\$253,772</b>

	Attributable to Equity Holders of the Parent Company										
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Comprehensive Loss	Other	Attributable to Non-controlling Interests	Total
					Unappropriated						
Balances at January 1, 2016	\$34,934	\$1,908	\$82,528	(\$13,132)	\$149,437	(\$1,013)	(\$16,545)	(\$6,296)		\$195	\$232,438
Share issued during the year	2	(2)									
Cost of share-based payments			696								696
Forfeitures during the period		(45)	(257)	302							
Collections on subscriptions				459							459
Effect of recognition of financial liability arising from put options on business combination (Note 14)			(12,058)								(12,058)
Increase in non-controlling interest due to acquisition of subsidiary (Note 2)										3,137	3,137
Cash dividends (Note 14)					(8,621)						(8,621)
Net income	34,936	1,861	70,909	(12,371)	140,816	(1,013)	(16,545)	(6,296)	171	3,332	216,051
Other comprehensive income					25,768					(5)	25,763
Total comprehensive income					25,768		(1,193)	57			(1,079)
<b>Balances at October 31, 2016</b>	<b>\$34,936</b>	<b>\$1,861</b>	<b>\$70,909</b>	<b>(\$12,371)</b>	<b>\$166,584</b>	<b>(\$1,013)</b>	<b>(\$17,738)</b>	<b>(\$6,239)</b>	<b>\$171</b>	<b>\$3,327</b>	<b>\$240,739</b>

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE TEN MONTHS ENDED OCTOBER 31, 2017 AND 2016**  
(In thousands)

	Unaudited 2017 Jan to Oct	Unaudited 2016 Jan to Oct
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$26,773	\$31,156
Adjustments for:		
Depreciation of property, plant and equipment (Note 8)	21,228	20,072
Interest expense	6,164	2,843
Amortization of intangible assets (Note 9)	3,576	1,770
Unrealized foreign exchange losses - net	1,339	(139)
Impairment loss (Note 9)	525	-
Cost of share-based payments	256	696
Gains on sale of property, plant and equipment	(613)	(83)
Mark-to-market gains on derivatives	(218)	-
Interest income	(264)	(210)
Operating income before working capital changes	58,766	56,105
Changes in operating assets and liabilities:		
Increase in:		
Loans and receivables	(56,380)	(24,470)
Inventories	(56,764)	(21,994)
Other current assets	(7,194)	(1,615)
Increase (decrease) in:		
Accounts payable and accrued expenses	59,561	29,336
Advances from third party	6,615	6,539
Retirement liabilities and other long-term benefits	(316)	(802)
Advances from customers	(143)	127
Accrued rent	-	(356)
Net cash generated from operations	4,145	42,870
Interest received	264	223
Interest paid	(5,269)	(2,955)
Income tax paid	(5,307)	(4,469)
Net cash provided by (used in) operating activities	(6,167)	35,669
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of:		
Property, plant and equipment (Note 8)	(48,886)	(42,127)
Intangible assets (Note 9)	(3,275)	(1,943)
Capitalized development costs (Note 9)	(4,623)	(4,739)
Acquisition through business combination, net of cash acquired (Note 2)	(25,704)	(46,879)
Proceeds from sale of property, plant and equipment	2,277	317
Decrease in other noncurrent assets	677	342
Net cash used in investing activities	(79,534)	(95,029)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of loans	96,688	157,060
Payment of loans	(28,196)	(75,244)
Dividends paid to equity holders of the Parent Company (Note 14)	(8,434)	(8,621)
Collections of subscriptions receivable	2,076	459
Net cash provided by financing activities	62,134	73,654
<b>NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS</b>	<b>4,577</b>	<b>(343)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(18,990)</b>	<b>13,951</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>	<b>86,549</b>	<b>101,532</b>
<b>CASH AND CASH EQUIVALENTS AT OCTOBER 31</b>	<b>\$67,559</b>	<b>\$115,483</b>

# INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

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## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Integrated Micro-Electronics, Inc. (the "Parent Company"), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the "Group"). The Parent Company is 50.64% owned by AYC Holdings, Ltd. (AYC), a corporation incorporated in the British Virgin Islands and a wholly-owned subsidiary of AC International Finance Ltd. under the umbrella of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 49.01% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is North Science Avenue, Laguna, Technopark, Biñan, Laguna.

On March 29, 2017, AYC, IMI's parent company, transferred its 50.6% ownership in the company to AC Industrial Technology Holdings, Inc. ("AC Industrials"), also a wholly-owned subsidiary of AC, through a special block sale of IMI shares on March 29, 2017 as approved by the PSE on March 29, 2017. This transaction was granted exemptive relief from the application of the mandatory tender offer rules by the Securities and Exchange Commission on March 21, 2017.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010. It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014.

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

The accompanying unaudited interim condensed consolidated financial statements as of and for the ten months periods ended October 31, 2017 and 2016 have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 (Amended), *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2016, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries collectively referred to as the "Group".

The Group's unaudited interim condensed consolidated financial statements were prepared for inclusion in a prospectus in relation to a planned capital raising activity.

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) investments and financial liabilities arising from the put options and contingent consideration and derivative liability that have been measured at fair value. The unaudited interim condensed

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

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

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2016.

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on December 7, 2017.

## 2. Group Information

### Information about Subsidiaries

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

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

(Forward)

Subsidiary	Percentage of Ownership		Country of Incorporation	Functional Currency
	2017	2016		
STI Asia Ltd	80.00%	–	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd	80.00%	–	United Kingdom	GBP
IMI USA	100.00%	100.00%	USA	USD
IMI Japan	100.00%	100.00%	Japan	USD
PSi	100.00%	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) <sup>i</sup>	40.00%	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) <sup>i</sup>	64.00%	64.00%	Philippines	USD

<sup>a</sup> New entity incorporated in Shenzhen which now runs the manufacturing operations of Pingshan and Kuichong

<sup>b</sup> On June 30, 2014, STEL Group's BOD passed a resolution to wind up STCQ. The dissolution was completed in 2016.

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

<sup>d</sup> On June 19, 2017, Monarch agreed to sell its net target assets and transfer its membership rights to IMI Singapore.

<sup>e</sup> Cooperatief is 99% owned by Monarch and 1% owned by IMI Singapore.

<sup>f</sup> On January 1, 2016, IMI BG changed its functional currency from Bulgarian Lev (BGN) to EUR

<sup>g</sup> No current operation.

<sup>h</sup> On March 1, 2014, IMI MX changed its functional currency from MXP to USD.

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

### Business Combinations

#### Acquisition of Surface Technology International Enterprises Limited (STI)

On April 6, 2017, IMI has entered into an agreement with the shareholders of STI for the acquisition by IMI, through its subsidiary IMI UK, of an 80% stake in STI, an electronics manufacturing services (EMS) company based in the United Kingdom, with factories in Hook and Poynton in the United Kingdom and Cebu, Philippines. The closing of the transaction transpired on May 16, 2017 upon completion of pre-closing conditions and regulatory approvals.

The provisional values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows:

<b>Assets</b>	
Cash and cash equivalents	\$4,046
Receivables - net	11,777
Inventories	15,676
Other current assets	3,695
Property, plant and equipment - net	7,650
	<u>42,844</u>
<b>Liabilities</b>	
Trade accounts payable and accrued expenses	23,006
Loans and trust receipts payable	14,206
Long-term debt	259
Other noncurrent liabilities	1,284
	<u>38,755</u>
<b>Net Assets</b>	<b>\$4,089</b>
Non-controlling interest (20.00%)	(818)
Provisional goodwill	51,455
<b>Cost of Acquisition</b>	<b>\$54,726</b>

The purchase price allocation for the acquisition of STI has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This includes information based on appraisal reports for property, plant and equipment and information necessary for the valuation of identified intangible assets (customer relationships). Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property, plant and equipment, intangible assets and goodwill. The provisional goodwill recognized on the acquisition can be attributed to STI's access to the UK

market through two acquired factories. Further, the partnership allows the group's entry into the aerospace, security and defense sectors.

From the date of acquisition, STI contributed \$29.23 million of revenue and \$1.33 million loss to profit before tax of the Group. If the combination had taken place at the beginning of the year, STI would have contributed revenue amounting to \$48.48 million and loss before tax amounting to \$8.15 million.

Analysis of cash flows on acquisition:

Initial purchase consideration	\$29,750
Contingent consideration	24,976
<b>Cost of acquisition</b>	<b>\$54,726</b>
<hr/>	
Cash consideration	\$29,750
Less: Cash acquired from the subsidiary	4,046
<b>Net cash flow (included in cash flows from investing activities)</b>	<b>\$25,704</b>

The initial purchase consideration of £23.00 million (\$29.75 million) upon signing of the agreement was paid in cash. The contingent consideration will depend on the actual normalized EBITDA performance less adjustments in 2018 and 2019. The contingent consideration was recognized at its fair value as part of the consideration transferred using the probability-weighted average of payouts associated with each possible outcome which resulted to an initial estimate amounting to £19.31 million (\$24.98 million).

The agreement also provided details regarding the sale of additional shares from the non-controlling interest through the grant of put and call options, as follows:

Options	Holder of the Right	Description	Option Period	Option / Exercise Price
Call Option	IMI	Right to require each of the Founders to sell to the Buyer all (but not some) of the interests held by that Founder by service of an Option Notice by the Buyer on the Founder at any time during the Call Option Period	Period commencing upon the earliest of: <ul style="list-style-type: none"> <li>• an Event of Default<sup>i</sup> occurring in respect of that Founder;</li> <li>• a Leaver Event<sup>ii</sup> occurring;</li> <li>• the aggregate relevant proportion of the Founders falling to less than 10%; and</li> <li>• the fifth anniversary of the Shareholders Agreement (SA).</li> </ul>	Where the Call Option Period commenced: <ul style="list-style-type: none"> <li>• on the fifth anniversary of this SA and where no Event of Default has occurred – 100% of the fair value<sup>iii</sup> of the relevant Option Interests</li> <li>• on the fifth anniversary of this SA but where an Event of Default has occurred – 90%</li> <li>• prior to the fifth anniversary of this SA as a result of a No Fault Leaver Event<sup>iv</sup> – 100%</li> </ul>

<sup>i</sup> An Event of Default shall mean any of the following in respect of a Founder:

- (i) that Founder commits any material breach of the SA or his contract or service, employment or consultancy with the Company or any member of the Group; or
- (ii) that Founder is convicted of any criminal offense (other than minor motoring offences not punishable with imprisonment); or
- (iii) that Founder commits any fraud with respect to the business of the STI Group; or
- (iv) that Founder enters or proposes to enter into any composition or arrangement with his creditors generally; or
- (v) that Founder is declared bankrupt or otherwise unable to pay his debts as they fall due.

<sup>ii</sup> A Leaver Event means that the First Founder ceases to be an employee of a member of the STI Group, dedicating not less than 50% of his working time to the business.

<sup>iii</sup> The fair value shall be determined in accordance with the following:

- promptly after the service of the Option Notice, the investors shall seek to agree the purchase price for the Option Interests which shall be the market value of the Option Interests on the date an Option Notice is served assuming a willing buyer and a willing seller and making no adjustment on account of any restrictions on the transfer of the Option Interests;
- if the investors agree the purchase price for such Option Interests it shall be binding on all investors and members of their respective investor groups; and
- in the event of any dispute as to the purchase price, the price in dispute shall be referred to a "Big Four" firm or an Expert.

<sup>iv</sup> A No Fault Leaver Event means occurring prior to the fifth anniversary of the SA other than in circumstances where (i) the First Founder tenders his resignation (other than as a result of his permanent disability or incapacity or in circumstances where he is found to have been constructively dismissed); or (ii) the employment of the First Founder is terminated by his employer in circumstances justifying summary dismissal.

Options	Holder of the Right	Description	Option Period	Option / Exercise Price
				<ul style="list-style-type: none"> <li>• prior to the fifth anniversary of this Agreement as a result of the aggregate relevant proportion of the Founders falling to less than 10% – 100%</li> <li>• prior to the fifth anniversary of this SA other than (iii) and (iv) above – 90%</li> </ul>
Put option	Founders (Singly or Collectively)	Right to require the Buyers to buy from each Founder all (but not some) of the interests held by that Founder by service of an Option Notice by the relevant Founder on the Buyers at any time during the Put Option Period	Period commencing upon the earlier of: <ul style="list-style-type: none"> <li>• a No Fault Leaver Event occurring in respect of a Founder;</li> <li>• the aggregate relevant proportion of the Founders falling to less than 5%; and</li> <li>• the fifth anniversary of the SA.</li> </ul>	100% of the fair value of the relevant Option Interests

Management assessed that it does not have present access to the returns associated with the non-controlling interest. The Group takes the view that the non-controlling interest should be accounted for in accordance with PFRS 10, *Consolidated Financial Statements*, and must be presented within equity, separate from the equity of the owners of the Parent Company, until the put option is exercised. The Group has elected to measure non-controlling interest in the acquiree at the proportionate share of the non-controlling interest in the recognized amounts of the acquiree's identifiable net assets. The carrying amount of non-controlling interest changes due to allocation of profit or loss, changes in other comprehensive income and dividends declared for the reporting period.

The call option is accounted for under PAS 39, *Financial Instruments: Recognition and Measurement*, as a derivative asset carried at fair value through profit or loss. Given that the call option is exercisable at the fair value of the shares at the exercise date, the value of the derivative is nil. The financial liability for the put option is accounted for under PAS 39 like any other written put option on equity instruments. On initial recognition, the corresponding debit is made to a component of equity attributable to the parent, not to the non-controlling interest. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value payable on exercise are recognized in profit or loss also attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and reverses the component of equity that was reduced on initial recognition. If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

The Group accounted for the put options as financial liabilities measured at the present value of the redemption amount, with a debit to "Additional paid-in capital" account, amounting to \$13.54 million on initial valuation. Mark-to-market loss from valuation date until October 31, 2017 amounting to \$0.11 million was recognized in the consolidated statements of income.

Acquisition-related costs, which consist of professional and legal fees, financing and transaction costs, taxes, representation and travel expenses amounting to \$1.52 million were recognized as expense in 2017.

#### Acquisition of VIA

On August 16, 2016, Cooperatief and the shareholders of VIA entered into a Sale and Purchase Agreement (SPA) under which Cooperatief acquired a 76.01% stake in VIA for a total cash consideration of €47.79 million (\$53.46 million), while the remaining 23.99% to be retained by the founder of VIA.

In 2016, the purchase price allocation for the acquisition of VIA has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation.

The Group finalized the purchase price allocation with the following changes to the provisional values based on additional information subsequently obtained:

<b>Assets</b>	<b>Fair Values</b>	<b>Provisional Values</b>
Cash and cash equivalents	\$6,585	\$6,585
Receivables	18,745	18,745
Inventories	5,448	5,448
Other current assets	661	661
Property, plant and equipment	3,149	3,149
Intangible asset	8,341	493
Deferred tax asset	558	558
Other noncurrent assets	159	159
	<b>43,646</b>	<b>35,798</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	18,241	18,241
Current portion of long-term debt	126	126
Loans payable	8,478	8,478
Other current liabilities	2,724	2,724
Long-term debt	209	209
Other noncurrent liabilities	152	152
Deferred tax liabilities	1,976	217
	<b>31,906</b>	<b>30,147</b>
<b>Net Assets</b>	<b>\$11,740</b>	<b>\$5,651</b>
Non-controlling interest (23.99%)	(2,816)	(1,356)
Goodwill	44,540	49,169
<b>Cost of acquisition</b>	<b>\$53,464</b>	<b>\$53,464</b>

The fair value of the intangible asset of VIA increased by \$7.85 million. The intangible assets is attributable to VIA's extensive experience and knowledge and certain know-how and other intellectual property (IP) rights in the field of developing and manufacturing optical bonded products, including materials and equipment for optical bonding and the optical bonding process. The increase in the fair value of the net assets of VIA have been retrospectively consolidated in the financial statements of the Group. The goodwill recognized is not expected to be deductible for tax purposes.

The fair value of the IP was determined using relief from royalty method taking into account the royalty savings of owning an IP. The IP will be amortized over 5 years.

Deferred tax liability on the increase in fair value of intellectual properties was recognized amounting to \$1.76 million. Derecognized deferred tax liability due to amortization of IP amounted to \$0.38 million for the ten months period ended October 31, 2017.

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### 3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance, unless otherwise indicated.

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

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

These amendments do not have any material impact to the Group.

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

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

Application of amendments resulted in additional disclosures in the unaudited interim condensed consolidated financial statements of the Group.

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

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

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

These amendments do not have any material impact to the Group.

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#### 4. Cash and Cash Equivalents

This account consists of:

	<b>Oct 31, 2017</b>	Dec 31, 2016
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Cash on hand	<b>\$104</b>	\$84
Cash in banks	<b>62,663</b>	75,816
Short-term investments	<b>4,792</b>	10,649
	<b>\$67,559</b>	\$86,549

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

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#### 5. Receivables - net

This account consists of:

	<b>Oct 31, 2017</b>	Dec 31, 2016
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Trade	<b>\$247,959</b>	\$192,152
Nontrade	<b>11,790</b>	3,804
Receivable from insurance	<b>1,077</b>	1,861
Receivable from employees	<b>653</b>	554
Due from related parties	<b>146</b>	300
Others	<b>4</b>	1,266
	<b>261,629</b>	199,937
Less allowance for doubtful accounts	<b>1,837</b>	1,734
	<b>\$259,792</b>	\$198,203

##### Trade

Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 80 days from invoice date.

##### Nontrade

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

##### Receivable from insurance

Insurance for damages to property, plant, and equipment, inventories and business interruptions caused by fire in January 2016 amounting to \$1.20 million was claimed by STJX, \$0.41 million of which have been collected in 2016 and the balance collected in January 2017.

Claims to damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to \$1.08 million was fully provided with allowance for doubtful accounts.

##### Others

Others include government creditable tax and receivables from the plan assets managed by BPI.

#### Allowance for Doubtful Accounts

Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of \$1.84 million as of October 31, 2017 and \$1.73 million as of December 31, 2016, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Provision and reversals for doubtful accounts recognized for the ten-month period ended October 31, 2017 and 2016 amounted to \$0.30 million and (\$0.08) million, respectively. Provision during the period form part of "Operating Expenses" account.

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#### 6. Inventories

Increase in inventories was attributable to growth of turnkey businesses particularly in Europe and Mexico. There is also building up of inventories in China in anticipation for the next quarter's demand and consolidation of STI's management accounts.

Reversals for inventory obsolescence and allowance for decline in inventories, recognized for the ten-month period ended October 31, 2017 and 2016 amounted to \$0.71 million and \$1.72 million, respectively.

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#### 7. Other Current Assets

This account consists of:

	<b>Oct 31, 2017</b>	Dec 31, 2016
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Tax credits	<b>\$9,630</b>	\$3,585
Prepayments	<b>7,569</b>	2,372
Advances to suppliers	<b>6,129</b>	8,839
Input taxes	<b>2,728</b>	525
Noncurrent assets held for sale	<b>362</b>	362
Derivative assets	-	67
Others	<b>603</b>	341
	<b>\$27,021</b>	\$16,091

#### Tax Credits

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

#### Prepayments

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

#### Advances to suppliers

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

#### Noncurrent assets held for sale

Noncurrent assets held for sale relates to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the plan to relocate its manufacturing facility in Liantang, Luohu, in line with the urban redevelopment projects of the Shenzhen City government. The sale is subject to certain conditions which are expected to be completed within the year.

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## 8. Property, Plant and Equipment - net

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Property, Plant and Equipment	\$302,691	\$245,433
Less: Accumulated Depreciation	145,129	126,296
Accumulated Impairment losses	1,744	1,732
<u>Property, Plant and Equipment (Net)</u>	<u>\$155,818</u>	<u>\$117,405</u>

Additions to property, plant and equipment for the ten month period ended October 31, 2017 amounted to \$48.89 million comprise mainly of purchases of machinery and equipment and construction-in-progress related to facilitation and set up of production lines amounting to \$39.62 million.

Property, plant and equipment acquired through business combination amounted to \$7.65 million (STI) and \$3.15 million (VIA) in 2017 and 2016, respectively.

Depreciation expense amounted to \$21.23 million and \$20.07 million for the ten-month period ended October 31, 2017 and 2016, respectively.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the ten-month period ended October 31, 2017 and 2016 amounting to \$0.61 million and \$0.06 million, respectively.

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## 9. Intangible Assets - net

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (As Restated - Note 2)
	(In thousands)	
Intangible Assets	\$50,980	\$42,989
Less: Accumulated Amortization	28,527	24,672
Accumulated Impairment losses	525	-
<u>Intangible Assets (Net)</u>	<u>\$21,928</u>	<u>\$18,317</u>

Intangible assets consist of computer software, intellectual properties and product development costs with net book value of \$6.29 million, \$6.55 million and \$9.09 million, respectively, as of October 31, 2017.

Additions amounting to \$3.28 million comprise mainly of acquisitions of computer software, applications and modules.

VIA's intellectual properties pertain to display system optically bonded to a display region and enhanced liquid crystal display system and methods. The Group finalized the purchased price allocation for the acquisition of VIA and determined the fair value of the intellectual properties amounting to \$8.34 million (see Note 2).

### Product Development Costs

This includes capitalized costs arising from the development phase of certain projects which are still under qualification. Additions during the period amounted to \$4.42 million.

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The projects to which the development costs pertain to represent the CGU of the intangible assets. The recoverable amounts of these CGUs have been determined using cash

flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects.

Impairment loss amounting to \$0.52 million was recognized for one project for the ten months period ended October 31, 2017. The impairment loss was included under "Operating Expenses" in the unaudited consolidated statement of income.

Amortization amounted to \$3.58 million and \$1.77 million for the ten-month period ended October 31, 2017 and 2016, respectively.

Research expenditure recognized as expense amounted to \$0.98 million and \$0.06 million for the ten months period ended October 31, 2017 and 2016, respectively.

## 10. Accounts Payable and Accrued Expenses

This account consists of:

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Trade payables	\$183,874	\$136,115
Accrued compensation and benefits	25,462	21,686
Nontrade payables	22,256	8,050
Accrued expenses	22,041	16,677
Advances from a third party	13,154	6,538
Advances from customers	3,621	2,568
Accrued interest payable	1,664	769
Taxes payable	1,490	1,094
Customers' deposits	725	897
Employee-related contributions	688	455
Derivative liabilities	35	11
Due to related parties (Note 18)	-	590
Others	831	226
	<b>\$275,841</b>	<b>\$195,676</b>

### Trade Payables

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

### Accrued Compensation and Benefits

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

### Nontrade Payables

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

### Accrued Expenses

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

### Advances from a Third Party

The amount pertains to the deposit received related to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the plan to relocate its manufacturing facility in Liantang, Luohu, in line with the urban redevelopment projects of the

Shenzhen City government. The sale is subject to certain conditions which are expected to be completed within the year.

Advances from Customers

Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA with interest ranging from 3.55% to 5.00%, current portion of PSi's advances from local customers, and advance payments made by customers for goods and services of the Parent Company and STEL.

Taxes Payable

Taxes payable pertain to taxes withheld such as fringe benefits tax and withholding taxes on purchased goods and services. Withholding taxes payable are expected to be settled within the next financial year.

Customers' Deposits

The amount pertains to advance payments made by customers as manufacturing bond.

Employee-related Contributions

This account consists mainly of remittances related to government agencies such as social security and insurance, housing fund and health insurance.

Others

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

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**11. Loans and Trust Receipts Payable**

This account consists of borrowings of the following entities:

	<b>Oct 31, 2017</b>	Dec 31, 2016
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Parent Company	<b>\$89,000</b>	\$25,000
STEL	<b>16,000</b>	8,000
VIA	<b>11,233</b>	7,903
STI	<b>5,287</b>	–
IMI CZ	<b>1,528</b>	1,093
PSi	<b>213</b>	9,449
	<b>\$123,261</b>	\$51,445

Parent Company

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

STEL

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

VIA

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

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

#### STI

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

#### IMI CZ

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

#### PSi

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

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## 12. Long-Term Debt

This account consists of borrowings of the following entities:

	<b>Oct 31, 2017</b>	Dec 31, 2016
	<b>(Unaudited)</b>	(Audited)
	(In thousands)	
Parent Company	<b>\$134,500</b>	\$120,222
Cooperatief	<b>4,940</b>	6,587
IMI CZ	<b>3,277</b>	1,818
IMI BG	<b>271</b>	418
VIA	<b>100</b>	284
	<b>143,088</b>	129,329
Less current portion:		
Parent Company	-	5,222
Cooperatief	<b>4,940</b>	2,108
IMI CZ	<b>1,170</b>	529
IMI BG	<b>232</b>	209
VIA	<b>100</b>	117
	<b>6,442</b>	8,185
Noncurrent portion	<b>\$136,646</b>	\$121,144

#### Parent Company

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

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

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

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

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

On August 12, 2015, the Parent Company obtained a \$20.00 million 5-year term loan from a local bank payable at the end of the loan term subject to a fixed interest rate per annum equal to the 5-year Dollar Benchmark rate plus a spread of 5 bps or the rate of 2.80%, whichever is higher. Interests are payable quarterly in arrears on each interest payment date.

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

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

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

#### Cooperatief

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

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

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

#### IMI CZ

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

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

In 2013, IMI CZ obtained a long-term debt from Citibank amounting to €0.59 million that relates to a term loan facility for the purchase of its new SMT machine. The debt bears annual interest of 1-month EURIBOR plus 2.70% and matures on July 31, 2019.

#### IMI BG

IMI BG has a long-term debt from BNP Paribas amounting to \$0.27 million that relates to the term loan facility for financing the construction of a new warehouse with a term of five years and bears interest based on 3-month EURIBOR plus 2.90%. The warehouse was completed in 2013.

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

#### VIA

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

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### 13. Financial Liabilities

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
	(In thousands)	
Put options		
VIA	\$12,481	\$11,334
STI (Note 2)	13,469	–
Contingent consideration (Note 2)	406	–
Current	<u>\$26,356</u>	<u>\$11,334</u>
Noncurrent portion of contingent consideration (Note 2)	<u>\$24,570</u>	–

The put options of VIA pertain to the right of the non-controlling shareholder to sell all shares held to IMI (exit put option) and right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA (5% put option).

The noncurrent portion of the contingent consideration is included under “Noncurrent portion of contingent consideration” account in the unaudited interim condensed consolidated balance sheets.

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### 14. Equity

#### *Authorized Capital Stock*

On February 15, 2017, the Parent Company's Board of Directors approved the proposed decrease of authorized capital stock of the Parent Company to reflect the retirement of the redeemed ₪1.3 billion redeemable preferred shares and the corresponding amendment to the Articles of Incorporation.

#### *Additional Paid-in Capital*

The financial liabilities arising from the written put options over the non-controlling interest of VIA and STI were recognized with a corresponding debit to the “Additional paid-in capital” account.

The effects of the initial recognition of financial liabilities arising from put options on business combinations are as follows:

	(In thousands)
VIA (2016)	\$12,058
STI (2017)	\$12,877

#### *Dividends*

On April 4, 2017, the BOD of the Parent Company approved the declaration of cash dividend of \$0.004529 or ₪0.22739 per share to all outstanding common shares aggregating to \$8.43 million as of record date of April 20, 2017 payable on May 4, 2017.

On February 06, 2016, the Board of Directors of the Parent Company approved the declaration of cash dividend of \$0.0046 or ₪0.2204 per share to all outstanding common shares aggregating to \$8.62 million as of record date of February 23, 2016 payable on March 10, 2016.

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## 15. Operating Expenses

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Salaries, wages and employee benefits	\$32,209	\$26,307
Plant relocation costs	6,575	–
Depreciation and amortization	5,223	4,009
Facilities costs and others	27,851	13,264
	<b>\$71,858</b>	<b>\$43,580</b>

Facilities costs and others include utilities, outsourced activities, technology related, government related, travel and transportation, and other expenses.

The plant relocations costs represent expenses on the transfer of China operations from Liantang, Luohu to Pingshan. This is in line with the urban redevelopment projects of the Shenzhen City government.

The relocation costs consist employee relocation incentive amounting to \$5.91 million and incidental expenses such as rental, machine transfer, overtime during transition, dormitory expense, security and janitorial, transportation and system transfer aggregating to \$0.67 million.

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## 16. Earnings per Share

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

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Net income	\$20,762	\$25,768
Weighted average number of common shares outstanding	1,862,040	1,863,744
Basic and diluted	<b>\$0.011</b>	<b>\$0.014</b>

As of October 31, 2017 and 2016, the Parent Company has no dilutive potential common shares.

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## 17. Segment Information

Management monitors operating results per subsidiary for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and net income before and after tax of its major manufacturing sites. Philippine operation is further subdivided into the Parent Company and PSi, IMI BG and IMI CZ are combined under Europe based on the industry segment and customers served while IMI USA and IMI Japan are combined being the support facilities for research and development, engineering development and sales and marketing. VIA and STI were also combined to represent non-core businesses and subsidiaries not wholly-controlled by IMI.

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

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

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's location for the ten-month period ended October 31, 2017 and 2016:

October 31, 2017 (Unaudited)	Philippines		Singapore/ China	Europe	Mexico	Germany/UK (VIA/STI)	USA/Japan	Eliminations	Total
	Parent Company	PSI							
Revenue:									
Third party	\$189,553	\$30,027	\$219,364	\$227,057	\$70,458	\$153,177	\$204	\$-	\$889,840
Intersegment	678	-	34	11	-	-	3,870	(4,593)	-
Total revenue	\$190,231	\$30,027	\$219,398	\$227,068	\$70,458	\$153,177	\$4,074	(\$4,593)	\$889,840
Segment interest income	\$1,134	\$2	\$659	\$-	\$-	\$2	\$0	(\$1,533)	\$264
Segment interest expense and bank charges	(\$4,169)	(\$508)	(\$448)	(\$1,466)	(\$174)	(\$1,048)	(\$6)	\$1,655	(\$6,164)
Segment profit (loss) before income tax	\$8,121	(\$654)	(\$1,948)	\$24,802	\$798	\$3,120	\$279	(\$7,745)	\$26,773
Segment provision for income tax	(1,284)	(33)	(400)	(2,479)	(306)	(1,277)	(12)	(41)	(5,832)
Segment profit (loss) after income tax	\$6,837	(\$687)	(\$2,348)	\$22,323	\$492	\$1,843	\$267	(\$7,786)	\$20,941
Net income (loss) attributable to the equity holders of the Parent Company	\$6,837	(\$687)	(\$2,348)	\$22,323	\$492	\$1,664	\$267	(\$7,786)	\$20,762

October 31, 2016 (Unaudited)	Philippines		Singapore/ China	Europe	Mexico	Germany (VIA)	USA/Japan	Eliminations	Total
	Parent Company	PSI							
Revenue:									
Third party	\$184,627	\$27,411	\$214,856	\$201,745	\$54,367	\$6,728	\$359	\$-	\$690,093
Inter-segment	178	-	13	-	-	-	3,437	(3,628)	-
Total revenue	\$184,805	\$27,411	\$214,869	\$201,745	\$54,367	\$6,728	\$3,796	(\$3,628)	\$690,093
Segment interest income	\$749	\$1	\$402	\$33	\$-	\$-	\$-	(\$975)	\$210
Segment interest expense and bank charges	(\$1,996)	(\$560)	(\$208)	(\$501)	(\$271)	(\$65)	(\$3)	\$761	(\$2,483)
Segment profit (loss) before income tax	\$9,133	(\$2,413)	\$1,696	\$27,116	\$399	(\$27)	\$615	(\$5,363)	\$31,156
Segment provision for income tax	(1,045)	-	(990)	(2,893)	(394)	24	(3)	(92)	(5,393)
Segment profit (loss) after income tax	\$8,088	(\$2,413)	\$706	\$24,223	\$5	(\$3)	\$612	(\$5,455)	\$25,763
Net income (loss) attributable to the equity holders of the Parent Company	\$8,088	(\$2,413)	\$706	\$24,223	\$5	(\$2)	\$612	(\$5,455)	\$25,763

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

For the ten-month period ended October 31, 2017, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to \$4.58 million and intersegment cost of sales and operating expenses amounting to \$1.27 million and \$4.30 million, respectively.

For the ten-month period ended October 31, 2016, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to \$3.63 million and intersegment cost of sales and operating expenses amounting to \$0.80 million and \$6.39 million, respectively.

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

	Philippines	Singapore/ China	Europe	Mexico	Germany/UK (VIA/STI)	USA/ Japan	Consoli- dation and Eliminations	Total	
	Parent Company	PSi							
October 31, 2017 (Unaudited)	\$411,930	\$14,442	\$211,158	\$255,855	\$95,563	\$157,006	\$3,462	(\$289,657)	\$859,759
December 31, 2016 (As Restated - Note 2)	\$323,143	\$15,431	\$224,745	\$199,169	\$64,529	\$33,075	\$3,249	(\$227,432)	\$635,909

Segment assets do not include investments in subsidiaries and intersegment receivables amounting to \$195.36 million and \$98.94 million as of October 31, 2017, respectively, and \$180.13 million and \$46.88 million as of December 31, 2016, respectively. These are eliminated in consolidation.

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

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (As Restated - Note 2)
	(In thousands)	
STI (Note 2)	\$51,455	\$-
VIA (Note 2)	44,540	44,540
STEL	45,128	45,128
Parent Company	1,098	1,098
IMI CZ	650	650
	<b>\$142,871</b>	<b>\$91,416</b>

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

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Europe	\$425,435	\$375,040
America	191,658	169,807
Japan	35,681	34,048
Asia/Others	237,066	111,198
	<b>\$889,840</b>	<b>\$690,093</b>

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 13% and 15% of the Group's total revenue for the ten-month period ended October 31, 2017 and 2016, respectively.

The following table presents revenues per product type:

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
	(In thousands)	
Automotive	\$366,062	\$312,961
Consumer	156,385	50,928
Industrial	153,495	125,098
Telecom	122,326	130,625
Aerospace / Defense	17,610	–
Medical	16,990	18,040
Multiple markets / Others	56,972	52,441
	<b>\$889,840</b>	<b>\$690,093</b>

## 18. Related Party Transactions

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

### Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the ten-month period ended October 31, 2017 and 2016, the Group has not recorded any impairment on receivables, except for the receivable from Narra VC, relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

a. Transactions with BPI, an affiliate

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

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

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

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

- i. Transaction with ACEHI represents deposit required by the distribution utility (DU) in a form of cash in accordance with the distribution wheeling services agreement between ACEHI and the DU, to be returned to the Parent Company at the end of the contract term.
- ii. Payables to AC are nontrade in nature and pertain to transaction costs paid in advance in relation to VIA acquisition. This was fully settled in the first quarter of 2017.

- iii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.
- c. Outstanding balances of transactions with subsidiaries from the Parent Company's point of view follow:

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

The outstanding balances are eliminated upon consolidation.

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

Advances to PSi and IMI EU/MX Subsidiaries have term ranging from 90 to 360 days subject to interest rates ranging from 1.94% to 2.90% in 2017 and 1.00% to 2.88% in 2016.

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

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

STEL Singapore also has advances to other IMI subsidiaries which bears interest ranging from 2.00% to 3.97% in 2016 and 2.28% to 3.19% in 2016.

- ii. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as an administrative, communications and coordinating center for its affiliates. These advances are noninterest-bearing and are payable on demand.
- iii. Payables to IMI Japan and IMI USA are nontrade in nature and pertain to administrative expenses paid by the Parent Company on their behalf.

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

	Revenue/Income		Expenses	
	Oct 31, 2017 (Unaudited)	Oct 30, 2016 (Unaudited)	Oct 31, 2017 (Unaudited)	Oct 30, 2016 (Unaudited)
BPI	\$6	\$2	\$-	\$-
ACEHI	-	-	4,498	-
Direct Power Services Inc. (DPSI)	-	-	2,529	-
Technopark Land, Inc (TLI)	-	-	860	877
AC	-	-	87	-
GTI	-	-	68	67
Innove Communication, Inc. (ICI)	-	-	45	82
Ayala Group Legal (AG Legal)	-	-	38	84
	<b>\$6</b>	<b>\$2</b>	<b>\$8,125</b>	<b>\$1,110</b>

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

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

Expenses incurred from related party transactions include:

- i. Light and power allocation charged by DPSI to PSi.
- ii. Light and power allocation charged by ACEHI to the Parent Company.
- iii. Rental expense from the lease contract between the Parent Company and TLI.
- iv. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
- v. Building rental, leased lines, internet connections and ATM connections with ICI.
- vi. Administrative services charged by AC related to certain transactions.
- vii. Billings for cellphone charges and WiFi connections with GTI.

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

- i. Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore for recovery costs and billings to IMI Singapore and the Parent Company for management salaries of key management personnel under IMI ROHQ.
- ii. Expenses incurred from related party transactions include interest expense of PSi, IMI MX and IMI CZ from loans granted by the Parent Company.

Compensation of Key Management Personnel of the Group

Compensation of key management personnel by benefit type follows:

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
Short-term employee benefits	\$6,948	\$6,617
Post-employment benefits	245	234
Share-based payments	256	536
	<b>\$7,449</b>	<b>\$7,387</b>

## 19. Fair Values of Financial Instruments

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

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

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of October 31, 2017 and December 31, 2016:

	Carrying Amounts		Fair Values	
	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
<b>Financial assets:</b>				
AFS financial assets	\$758	\$741	\$758	\$741
Derivative assets	–	67	–	67
	<b>\$758</b>	<b>\$808</b>	<b>\$758</b>	<b>\$808</b>
<b>Financial liabilities:</b>				
Derivative liabilities	\$35	\$11	\$35	\$11
Financial liabilities	25,950	11,334	25,950	11,334
Noncurrent portion of:				
Long-term debt	136,646	121,144	134,085	118,083
Contingent consideration	24,976	–	24,976	–
	<b>\$187,607</b>	<b>\$132,489</b>	<b>\$185,046</b>	<b>\$129,428</b>

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

Derivatives - These pertain to currency forwards hedged by the Group for risks associated with foreign currency fluctuations. The fair value of the currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturities as advised by the counterparty to the currency forwards contracts.

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

Financial liabilities - These pertain to the liabilities of the Parent Company arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used ranged from 0.30% to 0.47% in Germany and 1.02% in UK. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

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

Management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronic services solutions to derive

its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization.

Noncurrent portion of long-term debt - The fair value of long-term debt that is re-priced on a semi-annual basis is estimated by using the discounted cash flow method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2017 and 2016 ranged from 1.20% to 5.35% and from 1.00% to 2.91%, respectively.

Contingent consideration - this pertains to the contingent consideration related to the acquisition of STI determined based on probability-weighted payout discounted at 8% at the date of acquisition to determine its fair value. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

#### Fair Value Hierarchy

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

	October 31, 2017			Total
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Recurring assets measured at fair value:</b>				
AFS financial assets	\$758	\$-	\$-	\$758
	<u>\$758</u>	<u>\$-</u>	<u>\$-</u>	<u>\$758</u>
<b>Recurring liabilities measured at fair value:</b>				
Derivative liabilities	\$-	\$35	\$-	\$35
Financial liabilities on put options	-	-	25,950	25,950
Contingent consideration	-	-	24,976	24,976
	<u>\$-</u>	<u>\$35</u>	<u>\$50,926</u>	<u>\$50,961</u>
<b>Recurring liabilities for which fair values are disclosed:</b>				
Long-term debt	\$-	\$-	\$134,085	\$134,085

	December 31, 2016			Total
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Recurring assets measured at fair value:</b>				
Derivative assets	\$-	\$67	\$-	\$67
AFS financial assets	741	-	-	741
	<u>\$741</u>	<u>\$67</u>	<u>\$-</u>	<u>\$ 808</u>
<b>Recurring liabilities measured at fair value:</b>				
Derivative liabilities	\$-	\$11	\$-	\$11
Financial liabilities on put options	-	-	11,334	11,334
	<u>\$-</u>	<u>\$11</u>	<u>\$129,417</u>	<u>\$129,428</u>
<b>Recurring liabilities for which fair values are disclosed:</b>				
Long-term debt	\$-	\$-	\$118,083	\$118,083

The table below shows reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	Dec 31, 2016	Additions	Mark-to- market loss (gains)	Foreign currency translation	Oct 31, 2017
Financial liabilities on put options	\$11,334	\$13,469	(\$218)	\$1,365	\$25,950
Contingent consideration	–	24,976	–	–	24,976
	<b>\$11,334</b>	<b>\$38,445</b>	<b>(\$218)</b>	<b>\$1,365</b>	<b>\$50,926</b>

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

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

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial liabilities categorized as Level 3:

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	1%-3% (2%)	1% increase in growth rate would result in an increase in fair value by \$1.02 million. Decrease in growth rate by 1% would result in a fair value decrease of \$0.65 million.
		Discount rate	10%-13% (12%)	1% increase in discount rate would result in a decrease in fair value by \$1.14 million. Decrease in discount rate by 1% would result in a fair value increase of \$1.28 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$2.84 million. Decrease in the probability to 1% would result in a decrease in fair value by \$6.24 million.
Other noncurrent liabilities (contingent consideration)	Discounted, probability-weighted payout	Discount rate	7%-9% (8%)	1% increase in discount rate would result in a decrease in fair value by \$0.45 million. Decrease in discount rate by 1% would result in a fair value increase of \$0.47 million.
		Probability of pay-out	£0 to £23.3 million (\$0 to \$30.20 million)	GBP0 to GBP23.3 million (\$0 to \$30.20 million)

## 20. Financial Risk Management Objectives and Policies

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

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

The Group's risk management policies are summarized below:

#### Interest Rate Risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended October 31, 2017 and 2016. There is no other impact on the Group's equity other than those already affecting income.

Increase/Decrease in Basis Points	Effect on Net Income before Tax	
	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
+100	<b>(\$423)</b>	(\$705)
-100	<b>423</b>	705

The following table shows the information about the Group's debt as of October 31, 2017 and 2016 that are exposed to interest rate risk presented by maturity profile:

	Oct 31, 2017 (Unaudited)	Oct 31, 2016 (Unaudited)
Within one year	<b>\$2,930</b>	\$6,770
One to five years	<b>2,146</b>	1,693
	<b>\$5,076</b>	\$8,463

#### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

#### Credit Risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents, and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's maximum exposure to credit risk as of October 31, 2017 and December 31, 2016 is the carrying amounts of the financial assets. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 22% and 40% of trade receivables relating to three major customers as of October 31, 2017 and December 31, 2016, respectively.

As of October 31, 2017 and December 31, 2016, the aging analysis of trade receivables follows:

	Total	Neither past due nor impaired	Past due but not impaired				Specifically Impaired	
			<30 days	30-60 days	60-90 days	90-120 days		>120 days
<b>October 31, 2017</b> <b>(Unaudited)</b>	<b>\$247,959</b>	<b>\$214,850</b>	<b>\$17,742</b>	<b>\$5,986</b>	<b>\$1,314</b>	<b>\$1,507</b>	<b>\$5,880</b>	<b>\$680</b>
December 31, 2016 (Audited)	\$192,152	\$155,163	\$24,243	\$5,878	\$2,928	\$1,633	\$1,712	\$595

#### Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the USD against other currencies. As a result of significant operating expenses in PHP, the Group's consolidated statements of income can be affected significantly by movements in the USD versus the PHP. The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

#### *Philippine Peso (P)*

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	In PHP	In USD	In PHP
Cash and cash equivalents	\$1,282	P66,166	\$3,188	P158,548
Receivables	1,664	85,868	676	33,640
Miscellaneous deposits	681	35,137	1,060	52,692
Accounts payable and accrued expenses	(16,364)	(844,395)	(17,222)	(856,403)
Other noncurrent liabilities	(384)	(19,811)	(398)	(19,811)
Net foreign currency-denominated liabilities	(\$13,121)	(P677,035)	(\$12,696)	(P631,334)

#### *Euro (€)*

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	In EUR	In USD	In EUR
Cash and cash equivalents	\$19,773	€17,004	\$19,842	€18,998
Receivables	98,944	85,092	73,092	69,984
Accounts payable and accrued expenses	(65,926)	(56,696)	(49,796)	(47,678)
Long-term debt	(6,073)	(5,223)	(7,458)	(7,141)
Net foreign currency-denominated assets	\$46,718	€40,177	\$35,680	€34,163

### Renminbi (RMB)

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	In RMB	In USD	In RMB
Cash and cash equivalents	\$12,226	RMB81,286	\$16,577	RMB115,209
Receivables	62,233	413,757	60,578	421,004
Accounts payable and accrued expenses	(44,714)	(297,284)	(42,505)	(295,403)
Net foreign currency-denominated assets	\$29,745	RMB197,759	\$34,650	RMB240,810

### British Pound (GBP)

	Oct 31, 2017 (Unaudited)		Dec 31, 2016 (Audited)	
	In USD	In GBP	In USD	In GBP
Cash and cash equivalents	\$748	£569	\$23	£19
Receivables	16,187	12,299	-	-
Accounts payable and accrued expenses	(28,584)	(21,717)	(2)	(2)
Net foreign currency-denominated assets	(\$11,649)	(£8,849)	\$21	£17

### Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of October 31, 2017 and December 31, 2016. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

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

Currency	Increase/Decrease in USD Rate	Effect on Net Income before Tax	
		Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
PHP	+1%	\$77	\$88
	-1%	(77)	(88)
EUR	+1%	(724)	(211)
	-1%	724	211
RMB	+1%	(245)	(197)
	-1%	245	197
GBP	+1%	195	1
	-1%	(195)	(1)

### Capital Management

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

No changes were made in the objectives, policies and processes during the period ended October 31, 2017 and December 31, 2016.

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

	Oct 31, 2017 (Unaudited)	Dec 31, 2016 (Audited)
Trust receipts and loans payable	\$123,261	\$51,445
Long-term bank borrowings	138,148	122,742
Total bank debt	261,409	174,187
Less cash and cash equivalents	67,559	86,549
Net bank debt	\$193,850	\$87,638
Equity attributable to equity holders of the Parent Company	\$250,054	\$236,606
Debt-to-equity ratio	1:1.05	0.74:1
Net debt-to-equity ratio	0.78:1	0.37:1

The Group is not subject to externally imposed capital requirements.

## 21. Notes to Consolidated Statement of Cash Flows

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

	Cash Flows			Non-cash changes				Oct 31, 2017 (Unaudited)
	Dec 31, 2016 (Audited)	Availment	Repayment	Reclass	Declaration	Acquisition through business combination	Foreign currency translation	
Dividends payable	\$-	\$-	(\$8,434)	\$-	\$8,434	\$-	\$-	\$-
Loans and trust receipts payable	51,445	75,418	(19,665)	-	-	14,206	1,857	123,261
Current portion of long-term debt	8,185	590	(7,662)	4,479	-	129	721	6,442
Long-term debt	121,144	20,680	(869)	(4,479)	-	129	41	136,646
	\$180,774	\$96,688	(\$36,630)	\$-	\$8,434	\$14,464	\$2,619	\$266,349

## 22. Events after the Balance Sheet Date

On November 12, 2017, the Executive Committee of IMI passed a resolution approving the rights offering of common shares to all eligible shareholders of IMI ("Rights Issue"). IMI expects to raise proceeds of up to USD 100 million from the Rights Issue.

Determination of the final terms and conditions of the Rights Issue, including but not limited the final issue size, entitlement ratio, offer price, record date, and the final parties, has been delegated to IMI's management, for final approval by the Executive Committee. IMI expects to launch the Rights Issue after receiving the required regulatory approvals.

IMI is conducting the Rights Issue in order to support the growth and strategic initiatives of IMI. This includes business expansions and strategic investments. The Rights Issue will ensure the financial flexibility to consider these opportunities if and when they arise.

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

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

#### Results of Operations

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

#### Revenues from Sales and Services

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

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

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

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

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

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

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

## **Gross Profit and Gross Profit Margin**

The Company's operations generated gross profit of US\$100.8 million or RMB5.07 billion, higher year-on-year by 27% mainly from strong revenue growth. In addition, continued focus on LEAN manufacturing and improved utilization of fixed overhead partially offset the lower gross profit margin mix coming from the new acquisitions.

## **Operating Income**

Operating income is at \$29.0 million or RMB1.45 billion, a 20% decrease from last year. Increase in GP was countered by increase in GAE mainly from the expenses recognized in relation to the sale of Shenzhen Speedy-Tech Electronics Co., Ltd. (STSZ) and transfer to the Pingshan facility. The relocation costs consist of partial employee pay-out amounting to \$5.91 million and incidental expenses such as rental, machine transfer, overtime during transition, dormitory expense, security / janitorial, transportation and system transfer aggregating to \$0.67 million. Based on labor employment contract regulations, it is not allowed to transfer location or legal entity without proper consent from each employee. Upon mutual agreement, the employees opted to be disengaged from the previous company and transfer to the new company with appropriate compensation. The move is in line with the urban redevelopment projects of the Shenzhen City government and should not be considered as a discontinued operation.

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

## **Net Income**

The Company net income attributable to the owners of the parent is \$20.8 million or RMB1.05 billion, a decrease of 19% percent year-on-year driven by acquisition-related costs amounting to US\$4.1 million which include transaction costs, interests and taxes, and amortization of intangibles, and US\$6.6 million relocation costs.

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

## **EBITDA**

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

## **Financial Condition**

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

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

## Key Performance Indicators of the Company

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

Performance indicators	As of end	
	Oct 31, 2017	Dec 31, 2016
Liquidity:		
Current ratio <sup>a</sup>	1.23x	1.51x
Solvency:		
Debt-to-equity ratio <sup>b</sup>	1.05x	0.74x
	For the ten months ended	
	31 Oct	
	2017	2016
Operating efficiency:		
Revenue growth <sup>c</sup>	29%	-2%
Profitability:		
Gross profit margin <sup>d</sup>	11.3%	11.5%
Net income margin <sup>e</sup>	2.3%	3.7%
Return on equity <sup>f</sup>	8.5%	10.7%
Return on common equity <sup>g</sup>	8.5%	10.7%
Return on assets <sup>h</sup>	2.4%	3.8%
<sup>vi</sup> EBITDA margin	6.2%	8.1%

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

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

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

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

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

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

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

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

In the above:

- (i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.
- (ii) There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

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

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

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

### **Income Statement Items**

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

#### 29% increase in Revenues (\$690.1M to \$889.8M)

The increase was driven by the surge in revenues of VIA, five months contribution of STI and increase in demand across all sites.

#### 29% increase in Cost of goods sold (\$610.5M to \$789.0M)

Driven by the 29% increase in revenues.

#### 65% increase in Operating expenses (\$43.6M to \$71.9M)

The increase was attributable to the newly-acquired subsidiary VIA and STI, transaction costs related to STI acquisition, relocation costs related to the transfer to the Pingshan manufacturing facility and increase in headcount and people costs to support new programs.

#### 55% decrease in Other non-operating expenses (-\$4.9M to \$2.2M)

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

#### 3,680% increase in Noncontrolling interest (-\$0.005M to \$0.18M)

Share of minority in the net income of VIA (23.99%) and STI (20%).

### **Balance Sheet items**

(31 October 2017 versus 31 December 2016 (As Restated))

#### 22% decrease in Cash and cash equivalents (\$86.5M to \$67.6M)

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

#### 31% increase in Loans and receivables (\$198.2M to \$259.8M)

Increase mainly due to higher sales compared to Q42016 and consolidation of STI's management accounts.

71% increase in Inventories (\$106.1M to \$181.3M)

Increase attributable to growth of turnkey businesses particularly in Europe and Mexico. China building up inventories for the next quarter's demand, and consolidation of STI's management accounts.

68% increase in Other current assets (\$16.1M to \$27.0M)

Increase is attributable to increase in tax credits in Europe and Mexico and consolidation of STI's management accounts.

33% increase in Property, plant and equipment (\$117.4M to \$155.8M)

Significant increase in capital expenditures driven by ongoing big projects in China, Mexico, and Philippines, additional SMT lines in Europe and ongoing construction of the Serbia facility.

56% increase in Goodwill (\$91.4M to \$142.9M)

Goodwill recognized for the acquisition of STI amounting to \$52.2 million.

20% increase in Intangible assets (\$18.3M to \$21.9M)

Increase mainly from capitalized costs arising from the development phase of certain projects under qualification (+\$4.4M) and additional software costs.

41% increase in Accounts payable and accrued expenses (\$195.7M to \$275.8M)

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

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

140% increase in Loans and trust receipts payable (\$51.4M to \$123.3M)

Availments related to acquisition of STI and loans to fund expansions.

133% increase in Financial liabilities (\$11.3M to \$26.4M)

Put options and contingent consideration related to STI acquisition.

21% decrease in Current portion of long-term debt (\$8.2M to \$6.4M)

Settlement of 5-yr Eur5M loan upon maturity in Feb 2017, offset by reclass to current portion of the Cooperatief deferred payment related to EPIQ acquisition.

9% decrease in Deferred tax liabilities (\$3.0M to \$2.8M)

Deferred tax recognized on the increase in fair value of intellectual properties related to STI acquisition

350% increase in Other noncurrent liabilities (\$0.2M to \$1.0M)

Noncurrent portion of the contingent consideration related to the acquisition of STI

18% decrease in Additional paid-in capital (\$70.9M to \$58.1M)

Initial recognition of financial liability on put options debited against APIC.

56% increase in Cumulative translation adjustments (-\$20.6M to -\$9.0M)

Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to appreciation of EUR against USD from 1.04 to 1.16.

**EXHIBIT 1**
**FINANCIAL RATIOS**
**For the Period Ended October 31, 2017 and 2016 and December 31, 2016 (As Restated)**

Ratios	Formula	Oct 31, 2017	Oct 31, 2016	Dec 31, 2016 (As Restated)
(i) Current ratio	Current assets / Current Liabilities	1.23		1.51
(ii) Quick ratio	Current assets less inventories and other current assets/Current liabilities	0.75		1.05
(iii) Debt/Equity ratio	Bank debts / Equity attributable to parent	1.05		0.74
(iv) Asset to Equity ratio	Total Assets / Equity attributable to parent	3.44		2.70
(v) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	5.30	11.88	
(vi) Profitability ratios				
GP margin	Gross Profit / Revenues	11.3%	11.5%	
Net profit margin	Net Income after Tax / Revenues	2.3%	3.7%	
EBITDA margin	EBITDA / Revenues	6.2%	8.1%	
Return on assets	Net Income after Tax / Total Asset	2.4%	3.8%	
Return on equity	Net Income after Tax / Average equity attributable to parent	8.5%	10.7%	
Return on common equity	Net Income after Tax / Average common equity attributable to parent	8.5%	10.7%	

**(in US\$'000)**

	Oct 31, 2017	Oct 31, 2016	Dec 31, 2016
Current Assets	535,676		406,975
Current Liabilities	436,464		270,091
Total Assets	860,128	683,762	639,128
Bank Debts	261,410		174,187
Equity attributable to parent	250,054		236,606
Average equity attributable to parent	243,330	240,857	234,425
Average common equity attributable to parent	243,330	240,857	234,425
Revenues	889,840	690,093	
Gross Profit	100,821	79,635	
Net income attributable to equity holders of the parent	20,762	25,768	
Earnings before interest and taxes	32,673	33,789	
Interest expense	6,164	2,843	
EBITDA	55,246	55,766	