



Integrated Micro-Electronics, Inc.

North Science Avenue,
Laguna Technopark
Special Processing Zone
Biñan 4024 Laguna

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January 31, 2019

Securities and Exchange Commission

SEC Building, EDSA, Mandaluyong City

Attention: Director Vicente Graciano P. Felizmenio, Jr.
Director, Markets & Securities Regulation Department

Philippine Stock Exchange

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

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: 2018 Annual Progress Report on the Use of Proceeds

We are pleased to submit our Annual Progress Report on the application of proceeds certified by our external auditors pursuant to the Undertaking executed by Integrated Micro-Electronics, Inc. (IMI) in relation to its Stock Rights Offering covering 350,000,000 common shares listed at the Philippine Stock Exchange on March 2, 2018, which generated total proceeds of ₱4.998 billion.

For the year ended December 31, 2018, the application of the net proceeds is broken down as follows:

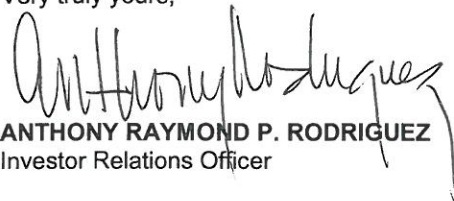
Use of Proceeds	Amount in US\$				
	Q1	Q2	Q3	Q4	2018
Repayment of bank debts	30,000,000	–	–	–	30,000,000
Capital expenditures	10,101,751	15,988,313	15,959,583	21,748,523	63,798,170
Total	40,101,751	15,988,313	15,959,583	21,748,523	93,798,170

The remaining balance of the proceeds with a minimal amount of ₱121.20 million (\$2.31 million) is expected to be consumed before end of the first quarter of 2019. These were placed in various time deposits for varying periods up to three months and earns interests at the respective short-term investment rates ranging from 1.85% to 5.13% per annum.

The disclosure is being submitted in compliance with the requirements of the Securities and Exchange Commission and the Philippine Stock Exchange.

Thank you.

Very truly yours,



ANTHONY RAYMOND P. RODRIGUEZ
Investor Relations Officer

REPORT ON ACTUAL FINDINGS

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have performed the procedures agreed with you and enumerated below with respect to the attached Progress Report on the Use of Proceeds for the period as of December 31, 2018, (the "Annual Progress Report"), on the application of proceeds from the stock rights offering of Integrated Micro-Electronics, Inc. (the "Company"). The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the application of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services (PSRS) 4400, Engagement to Perform Agreed-upon Procedures Regarding Financial Information, applicable to agreed-upon procedures engagements. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain a copy of the Use of Proceeds (the "Plan") from the stock rights offering relating to the common shares of the Company.
2. Obtain the Annual Progress Report and check its mathematical accuracy. Compare figures indicated in the Annual Report for capital expenditures and repayment of bank debts of the Company and its subsidiaries (collectively referred to as the "Group") to totals per supporting schedules.
3. Validate the details of the schedule of capital expenditures and repayment of bank debts of the Group for each of the quarters:
 - **Capital Expenditures**
 - Select samples exceeding \$60,000, which is the set threshold for capital expenditures that requires approval of managing director and chief operations officer. The threshold is adjusted (+ or - 5%) depending on the volatility of the foreign exchange rate as compared to USD on the period covered. If the total selected samples is below 50% of the total capital expenditures, select the next top capital expenditures of the operating site with the highest amount of capital expenditure during the period.
 - Trace the selected samples to the purchase order and invoices and check if proper processing and approval was made based on our understanding of the acquisition of property, plant and equipment process of the Group. The purchase order should be duly signed by the designated approver (managing director of the project) and should match the related invoices pertaining the capital expenditure.
 - **Repayment of bank debts**
 - Select all disbursements from each of the quarters related to the repayment of bank debts of the Group.
 - Trace the disbursements to the official receipts as proof of payment issued to the Group.

4. Obtain the list of short-term investments as of the periods covered, for the remaining short-term investments earmarked for capital expenditures and repayment of bank debts of the Group and match the total remaining balance of the proceeds to the Progress Report.
5. Check the mathematical accuracy of the list of short-term investments as of the periods covered, and trace to the Letters of Instructions (LOI), which were acknowledged by the banks.

We report our findings below:

1. With respect to item 1, we obtained a copy of the Plan from the stock rights offering relating to the common shares of the Company. We noted from the Plan that the Company intends to use the net proceeds of \$96.1 million (P4.998 billion) for capital expenditures and repayment of bank debts of the Group. No exceptions were noted.
2. With respect to item 2, we found that part of the proceeds were applied to repayment of bank debt amounting to \$30.0 million during the first quarter of 2018 and capital expenditures of \$63.80 million, for the annual period of 2018.
3. With respect to item 3, we found that the Progress Report matches the schedule of capital expenditures. We selected our samples by covering majority of the population with high amount and agreed these capital expenditures with the related supporting documents. All planned allocation for repayment of debts were used during the first quarter of 2018, we had traced these to official receipts as proof of payment. No exceptions were noted.
4. With respect to item 4, below is the list of short-term investments as of December 31, 2018 for the remaining short-term investments earmarked for planned capital expenditures and repayment of bank debts of the Group:

Balance as of December 31, 2018

Short-term Investment	Original Currency	Local Currency
United States Dollar-denominated short-term investments	\$1,457,000	P76,609,060
Philippine Peso-denominated short-term investments	P44,595,001	P44,595,001
Total		P121,204,061

We have validated and matched the total remaining balance of the proceeds presented in the Progress Report. No exceptions noted.

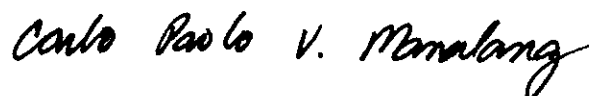
5. With respect to item 5, we found that the list of short-term investments as of December 31, 2018 for the remaining short-term investments are mathematically accurate and are properly supported by LOI, which were acknowledged by the banks. No exceptions noted.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the offering and items specified above and do not extend to any financial statements of the Company taken as a whole.

SYCIP GORRES VELAYO & CO.



Carlo Paolo V. Manalang

Partner

CPA Certificate No. 111947

SEC Accreditation No. 1625-A (Group A),

March 28, 2017 valid until March 27, 2020

Tax Identification No. 210-730-804

BIR Accreditation No. 08-001998-127-2017,

February 9, 2017 valid until February 8, 2020

PTR No. 7332576, January 3, 2019, Makati City

January 31, 2019