



Integrated Micro-Electronics, Inc.  
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Special Export Processing Zone  
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April 14, 2016

**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: **2016 Quarterly Progress Report on the Use of Proceeds**

We are pleased to submit our Q1 Quarterly 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 Follow-on Offering covering 215,000,000 common shares listed at the Philippine Stock Exchange last December 5, 2014.

Please be informed that the total proceeds amounting to ₱1.6 billion were initially placed in short-term investments in various banks (₱717.4 million Philippine Peso investments and \$20 million US Dollar investments). We have submitted in January 2016 our annual progress report stating that the Company had already expended \$32.3 (₱1.47 billion) million which represents 90% of the total proceeds.

The remaining balance of the proceeds amounting to \$3.05 million (₱144.8 million) was disbursed during the first quarter of 2016 for capital expenditures and business expansion to support on-going programs particularly in Mexico, China and Philippines which are expected to be completed within 2016. The extended period for the application of the balance of the proceeds was approved by the Company's Board of Directors.

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,

A handwritten signature in black ink, appearing to read 'JAIME G. SANCHEZ', is written over a horizontal line.

**JAIME G. SANCHEZ**  
Deputy CFO and Group Controller / Acting Compliance Officer

## REPORT ON FACTUAL 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 2016 First Quarter Progress Report on the Use of Proceeds (the "Progress Report") as of March 31, 2016, on the application of proceeds from the offering of the common shares 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. We obtained a copy of the Use of Proceeds (the "Plan") from the offering of the common shares of the Company.
2. We obtained the list of short-term investments earmarked for the planned capital expenditures, business expansion, refinancing of debt and working capital of the Company and its subsidiaries (collectively referred to as the "Group"), checked its mathematical accuracy and traced these short-term investments to Letters of Instructions (LOI), which were acknowledged by the banks.
3. We obtained the Progress Report and checked its mathematical accuracy. We also agreed the Progress Report to the investment report detailing the capital expenditure investments, working capital requirements and business expansion costs incurred by the Group.
4. We obtained the LOI for the pre-termination of the short-term investments, which will cover the capital expenditure investments, working capital requirements and business expansion costs incurred by the Group.
5. We obtained the schedule of capital expenditure investments and business expansion costs incurred by the Group for the first quarter of 2016 and traced these items to the related invoices and Purchase Orders (PO).

We report our findings below:

1. With respect to item 1, we obtained a copy of the Plan from the offering of the common shares of the Company. We noted from the Plan that the Company intends to use the net proceeds of P1.61 billion for capital expenditures, business expansion, refinancing of debt and working capital of the Group. No exceptions were noted.
2. With respect to item 2, we have obtained during the previous quarters the list of short-term investments earmarked for planned capital expenditures, business expansion, refinancing of debt and working capital of the Group as of December 31, 2015 and checked its mathematical accuracy. This is summarized below:

Fourth Quarter of 2014

Short-term Investment	Original Currency	Local Currency
United States Dollar-denominated short-term investments	\$20,000,000	P895,150,000
Philippine Peso-denominated short-term investments	P717,350,000	717,350,000
<b>Total</b>		<b>P1,612,500,000</b>

First Quarter of 2015

Short-term Investment	Original Currency	Local Currency
United States Dollar-denominated short-term investments	\$10,935,100	P488,798,970
Philippine Peso-denominated short-term investments	P717,532,898	717,532,898
<b>Total</b>		<b>P1,206,331,868</b>

Second Quarter of 2015

Short-term Investment	Original Currency	Local Currency
United States Dollar-denominated short-term investments	\$3,541,000	P159,663,690
Philippine Peso-denominated short-term investments	P657,775,727	657,775,727
<b>Total</b>		<b>P817,439,417</b>

Third Quarter of 2015

Short-term Investment	Original Currency	Local Currency
Philippine Peso-denominated short-term investments	P355,157,814	P355,157,814

Fourth Quarter of 2015

Short-term Investment	Original Currency	Local Currency
Philippine Peso-denominated short-term investments	₱144,813,974	₱144,813,974

These short-term investments were traced to LOI, which were acknowledged by the banks. The short-term investments traced to LOI dated December 3, 2015 amounted to ₱255.50 million. In reference to the memorandum from the Company's Treasury Department of the same date, the total amount of ₱255.50 million consist of the remaining balance from the IPO proceeds amounting to ₱144.81 million and the Company's free cash amounting to ₱110.69 million.

3. With respect to item 3, we found the Progress Report to be mathematically correct and the amounts agreed to the investment report. We also noted that the amounts in the investment report amounting to \$3,047.65 thousand (₱144.90 million) consists of capital requirement investments of \$1,670.92 thousand (₱79.44 million) and business expansion costs of \$1,376.73 thousand (₱65.46 million). As of March 31, 2016, the remaining proceeds from the IPO were expended in full. No exceptions were noted.
4. With respect to item 4, we obtained the LOI for the pre-termination of the short-term investment amounting to \$3,077.22 thousand (₱144.81 million). The balance of the proceeds as of December 31, 2015 amounting to ₱144.81 million (\$3,077.22 thousand) was invested in USD time deposit which earns interest at a short-term placement rate of 1.25%. The foreign exchange rate at the time of conversion is at ₱47.545. The total proceeds from the remaining short-term investments amounted to \$3,047.65 thousand. These were used to settle capital expenditure investments and business expansion costs incurred by the Group as stated in item 3.
5. With respect to item 5, we tested all and agreed these capital expenditure investments and business expansion costs with the supporting documents. We compared the vendor name, amount paid and PO number with the invoice receipts from the suppliers. No exceptions were noted.

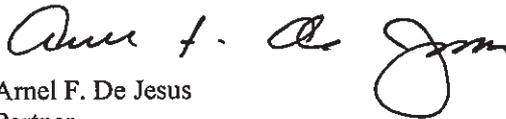
Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the Use of Proceeds from the offering of common shares based on the said standards.

Had we performed additional procedures or had we 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.

We have no responsibility to update this report for events or circumstances after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report 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 application of proceeds from the offering and items specified above do not extend to any financial statements of the Company, taken as a whole.

**SYCIP GORRES VELAYO & CO.**



Arnel F. De Jesus

Partner

CPA Certificate No. 43285

SEC Accreditation No. 0075-AR-3 (Group A),

February 14, 2013, valid until April 30, 2016

Tax Identification No. 152-884-385

BIR Accreditation No. 08-001998-15-2015,

June 26, 2015, valid until June 25, 2018

PTR No. 5321627, January 4, 2016, Makati City

April 14, 2016