A member of AC Industrials

Integrated Micro-Electronics, Inc.
North Science Avenue,
Laguna Technopark-Special Economic Zone
(LT-SEZ),
Bo. Biñan, Biñan Laguna, 4024
Philippines

Tel +63 2 756 6840; +63 2 756 6940
Tel +63 49 544 0312
www.global-imi.com

July 13, 2018

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 First Half Progress Report on the Use of Proceeds**

We are pleased to submit our First Half 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 period ended June 30, 2018, the application of the net proceeds is broken down as follows:

Use of Proceeds	Amount in US$
Repayment of bank debts	30,000,000
Capital expenditures	26,090,064
Total	**56,090,064**

The remaining balance of the proceeds amounting to ₱2.13 billion ($40.02 million) are placed in various time deposits for varying periods up to three months and earns interests at the respective short-term investment rates ranging from 1.53% to 3.75% 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
Assistant Vice President, Treasury Head / Investor Relations Officer

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

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 2018 First Half Progress Report on the Use of Proceeds (the "Progress Report") as of June 30, 2018, 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. We obtained a copy of the Use of Proceeds (the "Plan") from the stock rights offering relating to the common shares of the Company.

2. We obtained the Progress Report and validated the details of capital expenditures and repayment of bank debts of the Company and its subsidiaries (collectively referred to as the "Group).

3. We tied-up the Progress Report to the schedule of capital expenditures incurred by the Group for the first half of 2018, selected samples and traced these items to the related invoices and purchase orders. For the repayment of bank debts, we traced the disbursements to the official receipts as proof of payment issued to the Group.

4. We obtained the list of short-term investments as of June 30, 2018 for the remaining short-term investments earmarked for capital expenditures and repayment of bank debts of the Group and matched the total remaining balance of the proceeds to the Progress Report.

5. We checked the mathematical accuracy of the list of short-term investments as of June 30, 2018 and traced 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 (₱4.998 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 the proceeds amounting to $56.1 million (₱2.863 billion) were applied to capital expenditures of $26.1 Million (₱1.300 billion) and repayment of bank debts of $30.0 million (₱1.563 billion).

3. With respect to item 3, we found that the Progress Report matches the schedule of capital expenditures and repayment of bank debts of the Group. We selected our samples by covering majority of the population with high amount and agreed these capital expenditures and repayment of bank debts with the related supporting documents. No exceptions were noted.

4. With respect to item 4, below is the list of short-term investments as of June 30, 2018 for the remaining short-term investments earmarked for planned capital expenditures and repayment of bank debts of the Group:

   <u>Balance as of June 30, 2018</u>

Short-term Investment	**Original Currency**	**Local Currency**
United States Dollar-denominated short-term investments	$19,100,000	₱1,018,794,000
Philippine Peso-denominated short-term investments	₱1,115,893,962	₱1,115,893,962
Total		₱2,134,687,962

   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 June 30, 2018 for the remaining short-term investments are mathematically accurate and are properly supported by LOI, where 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 Use of Proceeds from the stock rights offering relating to the common shares of the Company 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.

Carlo Paolo V. Manalang

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. 6621287, January 9, 2018, Makati City

July 16, 2018