



# SBS PHILIPPINES CORPORATION

January 12, 2017

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA Greenhills  
Mandaluyong City, Metro Manila

Attention: **Mr. Vicente Graciano P. Felizmenio Jr.**  
Director, Markets and Securities Regulation Department

**THE PHILIPPINE STOCK EXCHANGE, INC.**

Philippine Stock Exchange Plaza  
Ayala Avenue, Makati City

Attention: **Ms. J.V. B. Zuño III**  
OIC-Head, Disclosure Department

Gentlemen:

In compliance with the Philippine Stock Exchange listing obligations of SBS Philippines Corporation (the Company), please find enclosed the Company's Quarterly Progress Report on the application of the proceeds from the Initial Public Offering (IPO) for the quarter ended December 31, 2016 providing for the following:

1. Quarterly Summary of Disbursement of the IPO Proceeds as of December 31, 2016 as certified by the Chief Financial Officer & Treasurer;
2. Notes to the Schedule on Disbursement of IPO Proceeds and Progress Report as of and for the Quarter Ended December 31, 2016; and,
3. Report of External Auditor on Review of Certain Financial Information.

Sincerely yours,

**SABRINA ADABELLE POON-SYTENGCO**  
Corporate Information Officer

Encl.a/s

SBS Philippines Corporation

Quarterly Summary of Application of Proceeds  
as of December 31, 2016

Gross Initial Public Offering (IPO) Proceeds P 1,155,000,000.00

Less: IPO-related project expenses

Underwriting and selling fees	P 18,840,000.00	
Philippine Securities and Exchange Commission registration, filing and research fees, taxes paid by the Company and Philippine Stock Exchange listing and processing fees	18,787,435.50	
Professional fees	3,626,643.50	
Miscellaneous expenses	<u>1,501,625.55</u>	<u>42,755,704.55</u>

Net IPO Proceeds 1,112,244,295.45

Less: Disbursements

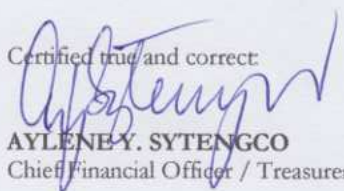
Accumulated costs incurred as of September 30, 2016		
Prepayment of BDO loan plus accrued interests	282,915,068.49	
Payment of maturing trust receipts plus accrued interests for the purchase and replenishment of product inventory	167,167,469.58	
Purchase of service vehicles	4,893,000.00	
Purchase and installation of office and warehouse equipment	1,304,558.00	
Purchase and installation of building improvements	685,933.30	
Marketing expenses	204,000.00	

For the 4 <sup>th</sup> Quarterly Period ended December 31, 2016		
Purchase of new raw materials for sale	577,611.05	
Purchase of service vehicles	4,350,000.00	
Purchase and installation of office and warehouse equipment	198,311.00	
Payment of warehouse maintenance costs and legal expenses	<u>203,453.15</u>	

Total Disbursements as of December 31, 2016 462,499,404.57

Balance of the Net IPO Proceeds as of December 31, 2016 P 649,744,890.88

Certified true and correct:

  
AYLENE Y. SYTENGO  
Chief Financial Officer / Treasurer

January 12, 2017

# **SBS PHILIPPINES CORPORATION**

*(A Subsidiary of Anesy Holdings Corporation)*

## **NOTES TO THE SCHEDULE ON DISBURSEMENT OF IPO PROCEEDS AND PROGRESS REPORT AS OF AND FOR THE QUARTER ENDED DECEMBER 31, 2016**

### **1. BACKGROUND**

SBS Philippines Corporation (the Company) is engaged in the trading of goods and buying, selling, distributing and marketing, at wholesale, goods such as chemicals, fertilizers, foodstuff, agricultural products, feed ingredients, industrial products and medical devices.

On April 8, 2015, the Company applied for the registration of its common shares with the Philippine Securities and Exchange Commission (SEC) and the listing of the Company's shares on the Philippine Stock Exchange (PSE). The SEC approved the registration of the 1,200,000,000 common shares of the Company on July 16, 2015 and the PSE approved the Company's application for the listing of its common shares on July 23, 2015.

On August 10, 2015, the Company, by way of a primary offering (IPO), sold 420,000,000 shares of its common stock (Offer Share) at an offer price of P2.75 per Offer Share, and generated gross proceeds of P1.155 billion (the "IPO Proceeds") from such IPO.

### **2. REALLOCATION AND CHANGE IN USE OF IPO PROCEEDS**

Reference is made to the proposed utilization of proceeds raised from the IPO as disclosed in the Company's Prospectus dated July 24, 2015 and the Disbursement of Proceeds and Progress Report dated April 15, 2016.

On May 20, 2016, the Company's Board of Directors approved the variation in and extension of timeframe for the utilization of the remaining unutilized balance of the IPO proceeds which then amounted to P670,884,497.96. These revised allocation and disbursement schedule together with the explanatory notes were submitted to the PSE through the PSE Electronic Disclosure Generation Technology.

The details of the reallocation and change in the use of IPO Proceeds are as follows:

- (a) P350,000,000.00 initially allocated and earmarked for the acquisition of a real estate property located in Muntinlupa City have been redeployed and reallocated instead to fund strategic acquisitions. The project for the acquisition of the industrial property located at Brgy. Tunasan Muntinlupa City originally intended as the new warehouse depot site has been reconsidered in light of the residential communities being developed alongside the proposed warehouse location site and the likely locational conflicts and zoning issues resulting from such change in land use.

The Company's Directors and Management considered it to be in the best interests of the Company and its shareholders that this portion of the IPO proceeds is instead channeled to further its strategy to grow its business through synergistic acquisitions that will enhance the Company's product offerings and servicing capabilities. The redeployment of such financial resources to pursue potential business-building acquisitions is in step with the strategic goal of the Company to grow its principal business and expand of its chemical operations via acquisition, and/or investments in allied chemical businesses, as and when such opportunity arises. The Company anticipates to close such projects during the period 2016-2018.

- (b) P100,000,000.00 initially allocated and earmarked for the construction of the new Muntinlupa warehouse facilities have been redeployed and reallocated instead to fund the setting up of value added services and/or construction of such facilities to enhance and increase the Company's value-added services. The Company expects to undertake these project during the period 2016-2017.
- (c) P103,969,248.00 initially allocated and earmarked to fund specific capital expenditures as detailed in the Company's Prospectus dated July 24, 2015 have been reallocated to finance investments in new equipment and machinery to include but shall not be limited to those itemized in the Company's Prospectus which investments are to be staggered during the period 2016-2017 and aligned with the current business needs of the Company .
- (d) P100,000,000.00 initially allocated and earmarked to fund specific new product purchases as detailed in the Company's Prospectus dated July 24, 2015 have been reallocated to finance the purchase and importation of additions to the Company's product portfolio to cover a much broader range of products which shall include but shall not be limited to new products and product improvements listed in the Company's Prospectus as well as fund the organization of a business development unit to strengthen sales and marketing force for the additional product offerings.
- (e) P14,830,318.45 excess of actual IPO expenses over the estimated IPO expenses have been channeled to general working capital requirements.

- (f) P2,084,931.51 savings arising from lower actual interest expense from the interest costs estimated for the BDO debt prepayment have likewise been channeled for use as additional general working capital.

Summarized below is the allocation of IPO Proceeds:

Use of IPO Proceeds	Allocation of Use of IPO Proceeds based on Prospectus	Effect of Reallocation	Revised Allocation of Use of IPO Proceeds
Working Capital	P 157,813,977.00	P 16,915,249.96	P 174,729,226.96
Debt Retirement	285,000,000.00	( 2,084,931.51)	282,915,068.49
IPO Expenses	57,586,023.00	( 14,830,318.45)	42,755,704.55
Product Expansion	100,000,000.00	( 100,000,000.00)	-
Capital Expenditures – Muntinlupa Property Acquisition	350,000,000.00	( 350,000,000.00)	-
Capital Expenditures – Warehouse Construction	100,000,000.00	( 100,000,000.00)	-
Capital Expenditures – Warehouse and Office Improvements	52,500,000.00	( 52,500,000.00)	-
Capital Expenditures – Warehouse Equipment & Machinery	34,200,000.00	( 34,200,000.00)	-
Capital Expenditures – Delivery & Service Vehicles	12,000,000.00	( 12,000,000.00)	-
Capital Expenditures – IT Systems & Renewable Energy Savings Systems	5,900,000.00	( 5,900,000.00)	-
New Product Offerings	-	100,000,000.00	100,000,000.00
Acquisitions	-	350,000,000.00	350,000,000.00
Capital Expenditures - Facility Improvements	-	100,000,000.00	100,000,000.00
Capital Expenditures - Equipment & Machinery	-	104,600,000.00	104,600,000.00
<b>TOTAL IPO PROCEEDS</b>	<b>P 1,155,000,000.00</b>	<b>P -</b>	<b>P 1,155,000,000.00</b>

### 3. NATURE OF EXPENDITURES

Expenditures based on the reallocation and change in use of the IPO Proceeds are discussed below and in the succeeding page.

#### (a) General Working Capital

About 15.13% of the IPO Proceeds has been allotted for use as general working capital. This includes the excess of actual IPO expenses and bank loan charges versus the estimated amounts previously allocated. As of December 31, 2016, the Company has disbursed a total of P167,574,922.73 to settle trust receipts obligations and interest charges incurred for the purchase of product inventory replenishments and for marketing expense in connection with the trade exhibit participation of the Company in the 2016 Philippine Food Trade Expo.

#### (b) New Product Offerings

About 8.66% of the IPO Proceeds has been allotted to finance the purchase and importation of additions to the Company's product portfolio which shall include new products and product improvements as well as to fund the organization of a business development unit to provide sales and marketing support to develop market share for such new products. These expenditures will be undertaken during the period 2016-2017. As of December 31, 2016, the Company has disbursed a total of P577,611.05 in connection with the importation of new product offerings for water and waste water treatment and related sales support expenses.

#### (c) Acquisitions

About 30.30% of the IPO Proceeds has been allocated to finance business-building and/or synergistic acquisitions such as investment in allied or complementary chemical businesses. The Company is continuously exploring acquisition and investment opportunities that would complement the Company's growth targets and long-term goals and targets to close such projects during the period 2016-2018.

#### (d) Capital Expenditures for Facility Improvements

About 8.66% of the IPO Proceeds has been allocated to finance the construction of new warehouses and/or set up facilities for the carrying out value added services such as those for repacking or custom blending of chemicals products. The Company expects to undertake such projects during the period 2016-2017.

(e) Capital Expenditures for Investments in Equipment and Machinery

About 9.06% of the IPO Proceeds has been allotted to finance investments in new equipment and machinery to include but shall not be limited to those itemized in the Company's Prospectus which investments will be staggered during the period 2016-2017 and aligned with the current business needs of the Company. As of December 31, 2016, it has disbursed a total of P11,431,802.30 for the purchase of air-conditioning systems for its temperature controlled storage facilities for pharmaceutical chemicals, additional office equipment and vehicles.

(f) Debt Retirement

About 24.49% of the IPO Proceeds has been used by the Company to prepay the outstanding principal balance of one of its term loan with BDO Unibank, Inc., which was availed of on September 5, 2013. This long-term loan was due to mature on August 27, 2018 and bears an interest cost of 5% per annum (the "BDO Loan"). The Company decided to prepay the BDO Loan as it carried a higher interest rate compared to its other loan obligations. On August 11, 2015, the Company prepaid the BDO loan in the total amount of P282.9 million, inclusive of accrued interest, using the IPO Proceeds.

(g) IPO Expenses

About 3.70% of the IPO Proceeds were used to pay fees and expenses related to the IPO of the Company.

**4. SUMMARY OF ACCUMULATED DISBURSEMENTS OF IPO PROCEEDS (PROGRESS REPORT)**

Summarized below are the disbursements made and the remaining unutilized balance of the IPO Proceeds as of December 31, 2016.

	Revised Allocation of IPO Proceeds*	Application of Proceeds Incurred as of September 30, 2016	Application of Proceeds Incurred for the 4 <sup>th</sup> Quarter of 2016	Balance of Offering Proceeds as of December 31, 2016
IPO expenses	P 42,755,704.55	P 42,755,704.55	P -	P -
New product offerings	100,000,000.00	-	577,611.05	99,422,388.95
Acquisitions	350,000,000.00	-	-	350,000,000.00
Capital expenditures:				
Facility improvements	100,000,000.00	-	-	100,000,000.00
Equipment & Machinery	104,600,000.00	6,883,491.30	4,548,311.00	93,168,197.70
Debt retirement	282,915,068.49	282,915,068.49	-	-
General working capital expenditures	<u>174,729,226.96</u>	<u>167,371,469.58</u>	<u>203,453.15</u>	<u>7,154,304.23</u>
	<u>P 1,155,000,000.00</u>	<u>P 499,925,733.92</u>	<u>P 5,329,375.20</u>	<u>P 649,744,890.88</u>

\* To the extent that the IPO Proceeds from the IPO are not immediately applied to the specified purposes, the Company may invest in short-term fixed income securities and/or money market instruments. As of December 31, 2016, the remaining balance of the IPO Proceeds was invested in short-term money market placements with reputable Philippine universal banks.

**5. APPLICATION OF REMAINING BALANCE OF THE IPO PROCEEDS**

The remaining balance of the IPO Proceeds amounting to P649,744,890.88 as of December 31, 2016 is expected to be utilized and disbursed in accordance with the proposed change in use of IPO Proceeds as presented above.



**P&A**  
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An instinct for growth™

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## **Report on Review of Certain Financial Information**

**The Stockholders and Board of Directors**  
**SBS Philippines Corporation**  
*(A Subsidiary of Anesy Holdings Corporation)*  
No. 10 Resthaven Street  
San Francisco Del Monte, Quezon City

### *Introduction*

We have reviewed the accompanying Quarterly Summary of Disbursement of the Initial Public Offering (IPO) Proceeds (the Quarterly Summary) of SBS Philippines Corporation (the Company) as of and for the quarter ended December 31, 2016, and the accompanying explanatory notes with respect to the Company's use of the proceeds from its IPO. Management is responsible for the preparation and fair presentation of the Quarterly Summary in accordance with the planned use of the IPO Proceeds as presented in the Prospectus of the Company dated July 24, 2015 and the subsequent reallocation and change in use of IPO Proceeds as approved by the Company's Board of Directors and disclosed in the Philippine Stock Exchange (PSE) Electronic Disclosure Generation Technology on May 20, 2016. Our responsibility is to express a conclusion and to issue a report on this Quarterly Summary based on our review.

### *Scope of Review*

We conducted our review in accordance with the applicable Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review is limited primarily to inquiries of Company personnel, analytical procedures and other review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

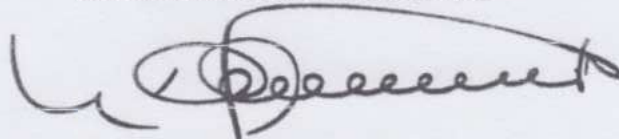
*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Quarterly Summary of SBS Philippines Corporation does not present fairly, in all material respects, the information on the use of the IPO Proceeds as of and for the quarter ended December 31, 2016, in accordance with the planned use of such proceeds as summarized in the Offering Circular of the Company and its subsequent reallocation.

*Emphasis of Matter*

Without qualifying our conclusion, we draw attention to Note 2 to the schedule on disbursement of IPO Proceeds and progress report, which discloses that on May 20, 2016, the Company's Board of Directors approved the variation in and extension of timeframe for the utilization of the remaining unutilized balance of the IPO Proceeds amounting to P670,884,497.96. In accordance with the Notice of Approval issued by the PSE on the Listing Application of the Company dated July 24, 2015, the actual disbursement or implementation of such reallocations must be disclosed by the Company at least thirty (30) days prior to the actual disbursement or implementation.

PUNONGBAYAN & ARAULLO



By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 5908630, January 3, 2017, Makati City  
SEC Group A Accreditation  
Partner - No. 1363-A (until Apr. 30, 2017)  
Firm - No. 0002-FR-4 (until Apr. 30, 2018)  
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

January 12, 2017