



SBS PHILIPPINES CORPORATION

January 12, 2018

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, Pasay 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, 2017 providing for the following:

1. Quarterly Summary of Disbursement of the IPO Proceeds as of December 31, 2017 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, 2017; and,
3. Report of External Auditor on Review of Certain Financial Information.

Sincerely yours,

REGINA SIMONA B. DE GUZMAN
General Counsel and Compliance Officer

Encl.a/s

SBS Philippines Corporation

**Quarterly Summary of Application of Proceeds
as of December 31, 2017**

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, 2017		
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		174,048,985.42
Purchase of service vehicles		14,434,071.42
Purchase and installation of office and warehouse equipment		1,910,538.64
Purchase and installation of building improvements		685,933.30
Purchase of new raw materials for sale		16,567,315.35
Marketing expenses		454,000.00
Payment of warehouse maintenance costs and legal expenses		476,241.54
Salaries of new business unit		60,000.00
For the 4 th Quarterly Period ended December 31, 2017		
Purchase of new raw materials for sale		2,094,999.31
Purchase and installation of office and warehouse equipment		<u>38,891.30</u>
Total Disbursements as of December 31, 2017		<u>493,686,044.77</u>
Balance of the Net IPO Proceeds as of December 31, 2017	P	<u>618,558,250.68</u>

Certified true and correct:


AYLENE Y. SYTENIGCO
 Chief Financial Officer / Treasurer

January 12, 2018

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 YEAR ENDED DECEMBER 31, 2017

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 October 12, 2017, and the subsequent announcements on the change in the usage of the net IPO proceeds, the last amendment of which was provided on December 19, 2017.

On May 20, 2016, the Company's Board of Directors (BOD) approved the variation in and extension of timeframe for the utilization balance of the IPO proceeds which then amounted to P670,884,497.96 remaining as of that date. 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 as of May 20, 2016 are presented in the succeeding pages.

- (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 channelled 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. This was further reallocated on August 14, 2017 and December 19, 2017 as discussed in the next page.

- (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. This was further reallocated on August 14, 2017 and December 19, 2017 as discussed in the next page.
- (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.

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

Use of IPO Proceeds	Allocation of Use of IPO Proceeds based on Prospectus	As Amended on 20-May-16	As Amended on 14-Aug-17	As Amended on 19-Dec-17
Working Capital	P 157,813,977.00	P 174,729,226.96	P 174,729,226.96	P 174,729,226.96
Debt Retirement	285,000,000.00	282,915,068.49	282,915,068.49	282,915,068.49
IPO Expenses	57,586,023.00	42,755,704.55	42,755,704.55	42,755,704.55
Product Expansion	100,000,000.00	-	-	-
New Product Offerings	-	100,000,000.00	100,000,000.00	100,000,000.00
Capital Expenditures – Muntinlupa Property Acquisition	350,000,000.00	-	-	-
Business Acquisitions	-	350,000,000.00	-	-
Capital Expenditures – Warehouse Construction	100,000,000.00	-	-	-
Acquisition of warehouse facility complex or of a company holding such realty property and capital expenditure for the purchase or construction of a warehouse building	-	-	450,000,000.00	-
Investment in LHC to acquire and hold warehouse facility complex	-	-	-	350,000,000.00
Investment in facility improvements, reduction of liabilities, working capital and general corporate purposes	-	-	-	100,000,000.00
Capital Expenditures – Warehouse and Office Improvements	52,500,000.00	-	-	-
Capital Expenditures – Warehouse Equipment & Machinery	34,200,000.00	-	-	-
Capital Expenditures – Delivery & Service Vehicles	12,000,000.00	-	-	-
Capital Expenditures – IT Systems & Renewable Energy Savings Systems	5,900,000.00	-	-	-
Capital Expenditures - Facility Improvements	-	100,000,000.00	-	-
Capital Expenditures - Equipment & Machinery	-	104,600,000.00	104,600,000.00	104,600,000.00
TOTAL IPO PROCEEDS	P 1,155,000,000.00	P 1,155,000,000.00	P 1,155,000,000.00	P 1,155,000,000.00

On August 14, 2017, the Company's BOD approved to further revise the allocation previously intended for the strategic acquisition of businesses amounting to P350,000,000 and facility improvements amounting to P100,000,000 referred to in items (a) and (b) in the previous page and reallocate a total of P450,000,000 of the unutilized IPO Proceeds for the acquisition either of a warehouse facility complex or separately for the purchase of real estate property or a company holding such realty property as well as the capital expenditure for the purchase or construction of a warehouse building.

Furthermore, on December 19, 2017, the Company's BOD approved to further adjust the transaction structure and amount of IPO Proceeds to be applied for the indirect acquisition of a warehouse facility complex so as to give the Company the flexibility to tap on other potential strategic opportunities to further maximize benefits to be derived from the sizeable acquisition and improve the efficiency of the use of the proceeds for the group.

In particular, instead of allocating a total of P450,000,000 of the IPO proceeds for the direct acquisition of a warehouse facility complex, the Company's BOD deemed it in the best interests of the Company and its shareholders to invest up to P350,000,000 of the unutilized IPO proceeds in Lence Holdings Corporation ("LHC") as capital to partially finance the contemplated acquisition of a warehouse facility property together with the land, buildings, and fixed assets as and when the deal will be finalized. LHC is a newly incorporated holding company which is 65% owned by the Company, 25% by the Company's subsidiary, SBS Holdings and Enterprises Corporation and 10% by the Sytengco family.

As the target acquisition covers a total lot area of around five (5) hectares together with ambient and cold storage facilities and other building improvements, of which 65% is being considered for the use in the warehouse and distribution operations of the Company, the proposed arrangement will allow the lease or use of the other areas for additional business building projects of SBS group. This arrangement permits the Company to grow and diversify its income streams at a lower capital investment.

Further, the Company's BOD also approved to reallocate a broader use of the remaining IPO proceeds of up to P100,000,000 for investment in facility improvements, reduction of liabilities, working capital and general corporate purposes beneficial for the Company.

**3. DESCRIPTION OF DISBURSEMENTS AND EXPENDITURES
AS OF DECEMBER 31, 2017**

(a) General Working Capital

About 15.13% of the IPO Proceeds is allotted specifically 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, 2017, the Company has disbursed a total of P174,729,226.96 to settle trust receipts obligations and interest charges incurred for the purchase of product inventory replenishments, for marketing expense in connection with the trade exhibit participation of the Company in the Philippine Food Trade Expo, and for warehouse maintenance costs.

(b) New Product Offerings

About 8.66% of the IPO Proceeds is allotted to finance the purchase and importation of additions to the Company's product portfolio which include new products and product improvements as well as funding the organization of a business development unit providing sales and marketing support to develop market share for such new products. These expenditures will continue to be undertaken in 2018 as the Company continues to introduce new products. As of December 31, 2017, the Company has disbursed a total of P18,972,314.66 in connection with the importation of new product offerings for water and waste water treatment, food and agriculture related applications, related sales support expenses and salaries of the new business unit personnel.

(c) Additional Investment as Capital Infusion in LHC

About 30.30% of the IPO Proceeds are reallocated for investment and capital infusion in the Company's new subsidiary, LHC, for the purpose of partly financing the acquisition of a warehouse facility property comprising of land, buildings, and fixed assets as and when the deal will be completed in 2018. On December 29, 2017, LHC has entered into a binding agreement for the acquisition of a warehouse facility complex south of Metro Manila which transaction is expected to close on January 29, 2018. Approximately 65% of warehouse facility complex to be acquired is being considered to be utilized for the warehouse and distribution operations of the Company.

(d) Investment in Facility Improvements, Reduction of Liabilities, Working Capital and General Corporate Purposes

About 8.66% of the IPO Proceeds or up to P100,000,000 are allocated for investment in facility improvements, reduction of liabilities, working capital and general corporate purposes beneficial for the Company. The Company has provided for broader use of the remaining unutilized IPO proceeds to have flexibility to utilize the proceeds for more urgent requirements.

(e) Capital Expenditures for Investments in Equipment and Machinery

About 9.06% of the IPO Proceeds is 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 and aligned with the prevailing business requirements of the Company. As of December 31, 2017, it has disbursed a total of P17,069,434.66 for the purchase of air-conditioning systems for its temperature controlled storage facilities for pharmaceutical chemicals, additional office equipment and service vehicles.

(f) Debt Retirement

About 24.49% of the IPO Proceeds was 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 was 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, 2017.

		Revised Allocation of IPO Proceeds*	Utilization of Proceeds Disbursed as of September 30, 2017	Utilization of Proceeds Disbursed for the 4 th Quarter of 2017	Balance of IPO Proceeds as of December 31, 2017
IPO expenses	P	42,755,704.55	P 42,755,704.55	P -	P -
Debt retirement		282,915,068.49	282,915,068.49	-	-
General working capital expenditures		174,729,226.96	174,729,226.96	-	-
New product offerings		100,000,000.00	16,877,315.35	2,094,999.31	81,027,685.34
Capital expenditure for equipment & machinery		104,600,000.00	17,030,543.36	38,891.30	87,530,565.34
Investment in LHC		350,000,000.00	-	-	350,000,000.00
Investment in facility improvements, reduction of liabilities, working capital and general corporate purposes		<u>100,000,000.00</u>	<u>-</u>	<u>-</u>	<u>100,000,000.00</u>
		<u>P 1,155,000,000.00</u>	<u>P 534,307,858.71</u>	<u>P 2,133,890.61</u>	<u>P 618,558,250.68</u>

** To the extent that the unutilized balance of the IPO Proceeds from the IPO are not to be 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, 2017, part of the unutilized balance of the IPO Proceeds was invested in short-term money market placements and also deposited with reputable Philippine universal banks.*

5. APPLICATION OF REMAINING BALANCE OF THE IPO PROCEEDS

The remaining balance of the IPO Proceeds amounting to P618,558,250.68 as of December 31, 2017 is expected to be utilized and disbursed in accordance with the proposed change in use of IPO Proceeds as presented above.



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Report on Review of Certain Financial Information

The Stockholders and Board of Directors
SBS Philippines Corporation
(A Subsidiary of Anesys 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, 2017, 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 (BOD) and disclosed in the Philippine Stock Exchange (PSE) Electronic Disclosure Generation Technology on May 20, 2016, August 14, 2017 and December 20, 2017. 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.

Certified Public Accountants

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

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BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-4

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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, 2017, 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 BOD approved the variation in and extension of timeframe for the utilization of the balance of the IPO Proceeds amounting to P670,884,497.96 remaining as of that date. Also, on August 14, 2017, the Company's BOD approved the further reallocation of the unutilized IPO Proceeds amounting to P450,000,000. Moreover, on December 19, 2017, the Company's BOD approved to further adjust the transaction structure of the utilization of IPO Proceeds amounting to P450,000,000. 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 30 days prior to the actual disbursement or implementation.

PUNONGBAYAN & ARAULLO



By: **Renan A. Piamonte**
Partner

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SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
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, 2018