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Monde Nissin Corporation MONDE

PSE Disclosure Form 4-29 - Disbursement of Proceeds and Progress Report
References: Memorandum No. 626 - 2007 dated December 20, 2007
Section 4.4 of the Revised Disclosure Rules

- Annual Report
 Quarterly Report
 Others -

Subject of the Disclosure

Quarterly Report on the Use of Proceeds from Monde Nissin Corporation's ("MONDE's") Initial Public Offering ("IPO")

Background/Description of the Disclosure

In compliance with the PSE's Notice of Approval for MONDE's IPO on June 1, 2021, MONDE hereby submits the following documents relating to the application of net IPO proceeds for the quarter ended December 31, 2021:

1. CFO Letter-Certification; and
2. Report-Certification of the External Auditor, SGV & Co.

Other Relevant Information

As indicated in the attached CFO Letter-Certification, in view of the Philippines' current COVID-19 situation, there remain certain schedules and documents for vetting by the External Auditor. MONDE expects that vetting procedures shall have been completed by the time MONDE's Annual Summary of Disbursement of Proceeds and Progress Report becomes due, i.e., on or before January 31, 2022.



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January 17, 2022

The Philippine Stock Exchange, Inc.
PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, 1634
Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosures Department

Subject: **Application of IPO Proceeds Quarterly Summary**

Ladies and Gentlemen:

In connection with Monde Nissin Corporation's ("**Monde's**") Initial Public Offering ("**IPO**") on June 1, 2021, we submit herewith our quarterly progress report ("**Report**") on the application of the net IPO proceeds. Accordingly, for the quarter ended December 31, 2021, the application of the net IPO proceeds is broken down as follows:

Use of Proceeds	As of December 31, 2021
Balance of IPO proceeds as of September 30, 2021	P14,711,641,372
Less: IPO related expenses	
Underwriting and selling commission fees	130,604,748
Professional and accounting fees	8,862,438
Miscellaneous expenses	1,086,422
	140,553,608
Net proceeds after IPO expenses	14,571,087,764
Payment of term loans	5,691,262,220
Payment of Fixed Assets:	
APAC BFB	
Capacity increase and innovation – Philippine operations	529,795,972
Operational efficiency initiatives – Philippine operations	45,277,571
End-to-end supply network redesign – Philippine operations	4,473,658
Capacity increase and innovation - Thailand operations	210,731,378
Meat Alternative	
To expand capacity	775,274,544
To improve manufacturing and new product development capabilities	408,683,220
To reduce emissions across the supply chain	3,910,236
	1,978,146,579
Total	6,901,678,965
Movement in unrealized foreign exchange gain	2,981,096
Unused Proceeds as of December 31, 2021	6,904,660,061

There were no other disbursements and applications made during the relevant quarter.

In view of the Philippines' current COVID-19 situation, there remain certain schedules and documents for vetting by the External Auditor. MONDE expects that vetting procedures shall have been completed by the time MONDE's Annual Summary of Disbursement of Proceeds and Progress Report becomes due, i.e., on or before January 31, 2022.

In compliance with the conditions of the Philippine Stock Exchange's IPO Notice of Approval, the undersigned hereby certifies the foregoing as true and correct based on available records. Likewise enclosed is the certification from Monde's external auditor, SGV & Co., in connection with the Report.

We trust that you find everything in order.

Very truly yours,


Jesse C. Teo
Chief Financial Officer

REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
Santa Rosa, Laguna

We have performed the procedures agreed with you and enumerated below with respect to the Quarterly Progress Report on Use of Proceeds from the Common Shares Offering (the "Progress Report") as at December 31, 2021 on the use of proceeds from and expenses related to the initial public offering (IPO) of common shares of Monde Nissin Corporation (the "Company" or "the Corporation" or "MNC") at the Philippine Stock Exchange on June 1, 2021. Our engagement was undertaken in accordance with Philippine Standard on Related Services (PSRS) 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*. These procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange's requirement to submit an external auditor's certification on the information being presented by the Company relating to the Progress Report as of December 31, 2021.

Summarized below are the agreed-upon procedures performed and findings on the Progress Report for the period October 1 to December 31, 2021 as prepared by the Company and which is presented as Annex to this report.

Procedures performed

1. Obtained from management the Progress Report as at December 31, 2021 showing the following information:
 - a. Balance of net proceeds as of September 30, 2021;
 - b. Detailed schedule and description of disbursements for the period October 1, 2021 to December 31, 2021 (the period);
 - c. Amount of disbursement for the period; and
 - d. Balance of net proceeds as of December 31, 2021.
2. Checked the mathematical accuracy of the Progress Report.
3. Compared the disbursements as indicated in the Progress Report as at December 31, 2021 to the detailed schedule of disbursements during the period.
4. Traced the disbursements in the detailed schedule of disbursements to the supporting documents such as cash disbursement journal, billing statements, invoices, check vouchers, official receipts and bank statements, and agreed the amounts to the list of disbursements.
5. Obtained a complete list of bank accounts, where the IPO proceeds are maintained and traced interbank transfers to bank statements. For bank transfers denominated in foreign currency, checked that the correct exchange rate was used based on published rates.

6. Traced the remaining balance of the net proceeds as of December 31, 2021 to the bank statements as of December 31, 2021.
7. Obtained the list of Board of Directors minutes of meetings for the period and reviewed if there were reallocations or changes in the schedule of planned use of proceeds from the Offering.
8. Compared the disbursements in the Progress Report as of December 31, 2021 to the use of proceeds section of the Offering Circular, as updated for any reallocations as approved by the Board of Directors.

Findings

1. With respect to item (1), we were able to obtain the Progress Report (see Annex) showing the following information:
 - a. Balance of net proceeds as of September 30, 2021;
 - b. Detailed schedule and description of disbursements for the period October 1, 2021 to December 31, 2021 (the period);
 - c. Amount of disbursement for the period; and
 - d. Balance of net proceeds as of December 31, 2021.
2. With respect to item (2), no exception was noted.
3. With respect to item (3), no material exception was noted.
4. With respect to item (4), total capital expenditures for the quarter ended December 31, 2021 amounted to ₱1,978.2 million (see item 8 below). We noted the following:
 - a. Meat Alternative - ₱1,187.9 million
 - i. Out of the ₱1,187.9 million capital expenditure of the Meat Alternative segment that was charged against the IPO proceeds, ₱907.0 million (76%) were traced to supporting documents (i.e. supplier invoices). The remaining ₱280.9 million for which supporting documents were not provided pertains to various expenditures (e.g. building and capital maintenance, purchase of equipment, etc.) and other adjustments.
 - ii. Capital expenditure amounting to ₱1,187.9 million includes ₱157.5 million of unpaid capital expenditure as of December 31, 2021. Out of the ₱1,030.4 million paid capital expenditure as of December 31, 2021, ₱692.4 million (67%) were traced to bank statements.
 - iii. Disbursements of the Meat Alternative segment include payments on capital expenditures made prior to the receipt of the IPO proceeds (i.e. from January to May 2021) amounting to ₱436.5 million. These were initially paid out of the Meat Alternative segment's operating funds and subsequently charged against the IPO proceeds. We traced the above amounts to the related invoices and purchase orders when the funds were originally disbursed. We noted no exception.

b. APAC BFB - ₱790.3 million

On August 9, 2021, the Board of Directors (BOD) of the Company approved “the transfer from the IPO Proceeds to the operating cash of the Corporation, such amounts of capital expenditure paid by the significant subsidiaries of the Corporation during the year using their respective cashflow”.

- i. Following the BOD resolution, capital expenditure amounting to ₱261.9 million spent by Monde Nissin Thailand (MNTN) and Monde M.Y San Corporation (MMYSC) were transferred to the Corporation’s operating funds during the quarter ended December 31, 2021. We traced the above amounts to the related invoices and purchase orders when the funds were originally disbursed by the Subsidiaries using their operating funds. Out of the ₱261.9 million, we were able to trace ₱242.9 million (93%) to the bank statements of the Subsidiaries.
 - ii. The ₱790.3 million disbursement from the IPO proceeds includes ₱200.0 million transfer to the Corporation’s operating funds relating to unpaid capital expenditures as of December 31, 2021. As of January 17, 2021, the Corporation has paid ₱8.9 million of these capital expenditures.
5. We respect to item (5), we noted that the Company invested the IPO Proceeds in the following accounts:
- a. Savings account with local banks;
 - b. Foreign currency denominated savings account; and
 - c. Derivative investment and trust funds to reduce negative carry adhering to the following investment principles: no mark-to-market risk, short tenor of up to 180 days and principal protection.

No exception was noted.

6. With respect to item (6), we noted a difference of ₱18.1 million and ₱0.6 million pertaining to interest income earned by the Company on its cash in bank and investments and bank charges, respectively, which were not considered as part of the proceeds from the Offering.
7. With respect to item (7), in a board resolution dated November 23, 2021, the Board of Directors approved the change in use of IPO proceeds previously allocated for “certain capital expenditures to expand the capacity of its Meat Alternative business” amounting to ₱7,105.0 million to “operating expenditures (not in excess of ₱4,100.0 million) relating to, and/or capital expenditures to expand the capacity of, its Meat Alternative business”. This reallocation was done, “concurrent with MNC’s plan to expand the manufacturing capacity of its Meat Alternative business, to engage in activities that will accelerate consumer demand and consumption of its Meat Alternative products in the US and UK (including but not limited to spending for brand building, new product development, influencer partnerships etc.).”

The revised allocation based on the approved change in the use of proceeds is presented below:

	Unused IPO Proceeds as of September 30, 2021	Adjustment	Revised Allocation of IPO Proceeds
	<i>(in ₱ millions)</i>		
Capital expenditure			
Meat alternative	₱6,492.8	(₱4,100.0)	₱2,392.8
APAC BFB	2,083.9	–	2,083.9
Operating expenditure			
Meat alternative	–	4,100.0	4,100.0
	8,576.7	–	8,576.7
Loan payment	5,691.3	–	5,691.3
IPO related expenses	369.4	–	369.4
Foreign exchange gain	74.3	–	74.3
	₱14,711.7	–	₱14,711.7

In the same board resolution, the Board of Directors confirms that there is no change in its planned capital expenditures amounting to ₱7,105.0 million to expand the capacity of its Meat Alternative business as stipulated in its final IPO prospectus on file with the Securities and Exchange Commission. The same will be funded from MNC's operating cash in lieu of IPO Proceeds in the event the IPO Proceeds will not be sufficient to fund the same.

8. With respect to item (8), we present below the summary of the breakdown and application of the IPO Proceeds as of December 31, 2021 based on the information we obtained from the Company.

	Revised Allocation of IPO Proceeds	Application of IPO Proceeds during the period	Unused IPO Proceeds as of December 31, 2021
	<i>(in ₱ millions)</i>		
Capital expenditure			
Meat alternative	₱2,392.8	₱1,187.9	₱1,204.9
APAC BFB	2,083.9	790.3	1,293.6
Operating expenditure			
Meat alternative	4,100	–	4,100.0
	8,576.7	1,978.2	6,598.5
Loan payment	5,691.3	5,691.3	–
IPO related expenses	369.4	140.6	228.8
Foreign exchange gain	74.3	(3.0)	77.3
	₱14,711.7	₱7,807.1	₱6,904.6

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 Company's financial statements.

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. This report is intended solely for the purpose set forth in the first paragraph of this report and should not be used for any other purpose or 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 accounts and items specified above and do not extend to any financial statements of the Company taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 8853492, January 3, 2022, Makati City

January 17, 2022

Annex: Progress Report for the period October 1 to December 31, 2021

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