



PSPC Phoenix Semiconductor Philippines Corp.

Panday Pira Ave. Cor Creekside Road, Clark Freeport Zone, Pampanga, Philippines
Tel. No. (045) 499-1749 / Fax No. (045) 499-1996

January 20, 2015

PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

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

Re : Annual Progress Report on the Disbursement of the Proceeds
of the Initial Public Offering

Gentlemen:

We refer to the Notice of Approval dated July 9, 2014 issued by the Philippine Stock Exchange ("PSE") in relation to the initial public offering ("IPO") of Phoenix Semiconductor Philippines Corp. ("PSPC" or the "Company"), which approval requires the submission of a quarterly progress report and an annual summary of the application of the proceeds raised from the IPO. This letter is being submitted in compliance with such requirements.

On December 1, 2014, PSPC offered to sell to the public 324,760,000 new and existing Common Shares with par value of P 1.00 per share (the "Firm Offer Shares") at an offer price of P3.15 per share. 162,380,000 new Common Shares were issued for subscription by the Company from its authorized and unissued capital stock by way of a primary offer (the "Primary Offer") and 162,380,000 issued and outstanding Common Shares were offered for sale by an existing shareholder of the Company, STS Semiconductor & Telecommunications Co., Ltd. (the "Selling Shareholder"), pursuant to a secondary offer (the "Secondary Offer").

The Company raised actual gross proceeds of Php 511,497,000 from the Primary Offer. After deducting listing fees and other fees related to the Offer, the actual net proceeds from the Primary Offer amounted to Php 467,669,931. The Company did not receive any proceeds from the Secondary Offer.

The actual net proceeds received by the Company totaled Php 466,911,989, greater by Php 757,942 than the estimated net proceeds indicated in the final prospectus. The difference will be used for the same purposes, and allocated in proportion to the initial use of proceeds schedule, disclosed in the Company's final prospectus.

As approved by the Securities and Exchange Commission and the PSE, the net proceeds from the Primary Offer will be used by the Company to finance, among others, the acquisition of new machineries, equipment and other capital expenditures of the Company.

As of December 31, 2014, there were no disbursements made from the net proceeds of the Primary Offer but a change in the timing of disbursements will be observed.

The tables below show the initial schedule of the use of proceeds and revised schedule with changes in the timing of disbursements and allocation of difference between the estimated and actual use of proceeds.

A. Initial use of proceeds schedule as disclosed in the Company's final prospectus

Use of Proceeds	Estimated Amounts		
	4Q of 2014	1Q to 4Q of 2015	Total
PHASE 1 FACILITY			
Acquisition of machinery and production equipment for the maintenance program	42,981,838	-	42,981,838
Building Improvements	1,082,697	-	1,082,697
<i>Subtotal</i>	<i>44,064,535</i>	<i>-</i>	<i>44,064,535</i>
PHASE 2 FACILITY			
Acquisition of machinery and production equipment for the expansion program		134,032,977	134,032,977
Construction of building and structure	5,676,252	283,138,225	288,814,477
<i>Subtotal</i>	<i>5,676,252</i>	<i>417,171,202</i>	<i>422,847,454</i>
Total	49,740,787	417,171,202	466,911,989

B. Revised use of proceeds schedule showing the change in the timing of disbursements and allocation of the difference of estimated and actual net proceeds

Use of Proceeds	Estimated Amounts		
	1Q of 2015	4Q of 2015	Total
PHASE 1 FACILITY			
Acquisition of machinery and production equipment for the maintenance program	43,051,611	-	43,051,611
Building Improvements	1,084,455	-	1,084,455
<i>Subtotal</i>	<i>44,136,066</i>	<i>-</i>	<i>44,136,066</i>
PHASE 2 FACILITY			
Acquisition of machinery and production equipment for the expansion program	-	134,250,554	134,250,554
Construction of building and structure	-	289,283,311	289,283,311
<i>Subtotal</i>	<i>-</i>	<i>423,533,865</i>	<i>423,533,865</i>
Total	44,136,066	423,533,865	467,669,931

Very truly yours,

A handwritten signature in black ink, consisting of a stylized 'D' and 'K' joined together.

DONGJOO KIM

Vice President & Chief Finance Officer

REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors
Phoenix Semiconductor Philippines Corp.
Panday Pira Avenue, Corner Creekside
Clark Freeport Zone, Pampanga

We have performed the procedures agreed with you and enumerated below with respect to the attached Annual Progress Report as at December 31, 2014 on the application of the proceeds from the Initial Public Offering (the Offering) of Phoenix Semiconductor Philippines Corp. (the Company) on December 1, 2014. The procedures were performed solely to comply with the requirements of the Philippine Stock Exchange Inc. (PSE) to submit an external auditor's certification on the accuracy of the information being represented by the Company relating to the application of proceeds whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with the Philippine Standards on Related Services 4400, "*Engagements 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. Obtained the schedule of property, plant and equipment as of December 31, 2014 and checked the mathematical accuracy. We also agreed the amount to the general ledger.
2. Obtained the schedule of acquisitions of property, plant and equipment which the management represented to be paid out of the IPO proceeds and checked the mathematical accuracy. We also traced these additions to the listing of acquisitions from the IPO date, i.e., December 1, 2014 to December 31, 2014.
3. On a test basis, we traced the acquisitions on item 2 to the accounting records and related supporting documents such as invoices and payment documents, if any.

We report our findings below:

1. With respect to item 1, we found the schedule of property, plant and equipment to be mathematically correct and the amounts agreed to the general ledger.
2. With respect to item 2, we found the schedule of acquisitions of property and equipment to be mathematically correct and the amounts agreed to the listing of acquisitions from December 1, 2014 to December 31, 2014. Management represented that these acquisitions remain to be unpaid as of December 31, 2014.
3. With respect to item 3, we found that the acquisitions on item 2 have not been paid as of December 31, 2014. The related payment documents, i.e., the telegraphic transfers to the supplier for these acquisitions were dated subsequent to December 31, 2014.

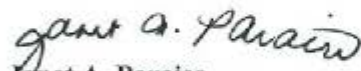
Because the above procedures do not constitute either an audit or review made in accordance with the Philippine Standards on Auditing (PSA) or the Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the application of the proceeds from the Offering based 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, respectively, 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 occurring after the date of this report.

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

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso
Partner

January 20, 2015