



# **ANNUAL STOCKHOLDERS' MEETING**

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**(A) NOTICE AND AGENDA**  
**(B) INFORMATION STATEMENT**  
(SEC FORM 20-IS)

Pursuant to Section 20 of the Securities Regulation Code

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## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of **SBS Philippines Corporation** (SBS) will be conducted virtually at [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020) on **Thursday, September 17, 2020 at 3:00 o' clock in the afternoon**, information about said virtual meeting can be accessed at the link provided in SBS' website at <http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/> with the following agenda:

### A G E N D A

1. Call to Order
2. Proof of Notice, Determination of Quorum
3. Rules of Conduct and Procedures
4. Approval of Minutes of the previous Annual Stockholders' Meeting
5. Presentation of the 2019 Annual Report of Management to the Stockholders and Approval of the 2019 Audited Consolidated Financial Statements of the Company and its Subsidiaries
6. Ratification of all Acts and Resolutions of the Board of Directors and Management Since the Last Meeting of the Stockholders
7. Appointment of Independent Auditors
8. Election of Directors
9. Amendment of Company's By-Laws
10. Consideration of Such Other Business as May Properly Come Before the Meeting
11. Adjournment

Only stockholders of record at the close of business on 5 August 2020 are entitled to notice of, and to vote at this meeting. For this purpose and in accordance with Section 8, Article II of the Company's Amended By-Laws, the Stock and Transfer Book of the Company will be closed from 6 August 2020 to September 10, 2020.

The conduct of this Annual Stockholders' Meeting will be streamed live and stockholders of record as of August 5, 2020 may attend, participate and vote only through proxy, remote communication or in absentia through [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020). The requirements and procedures on how to participate in this meeting and for voting in absentia are set forth in Annex "C" of the Information Statement. These are likewise published and made accessible through the Company's website [www.sbsph.com.ph](http://www.sbsph.com.ph).

Stockholders who opt to vote by proxy on manually filled ballot must submit and address their proxy to the attention of the Corporate Secretary at 8th Floor, Chatham House Bldg., Valero corner Rufino Sts., Salcedo Village, Makati City or via e-mail at [pacisreyes@pacisreyes.com](mailto:pacisreyes@pacisreyes.com) for inspection, validation and recording at least ten (10) days before the opening of the Annual Stockholders' meeting, or on or before September 7, 2020.

10 August 2020, Quezon City.

  
**CHRISTINE P. BASE**  
Corporate Secretary

## **EXPLANATORY NOTES TO AGENDA ITEMS**

### **1. Proof of notice, determination of quorum and rules of conduct and procedures**

***Rationale:*** To inform the stockholders that the notice requirements for the 2020 Annual Stockholders' Meeting have been complied with in accordance with the Company's By-Laws and applicable laws and regulations, that a quorum exists for the transaction of business and the procedures to govern the conduct of voting for the agenda items being put to a vote.

The Corporate Secretary will certify that written notice for the meeting was duly sent to stockholders and that a quorum exists for the transaction of business. Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting in absentia by the stockholders, the Corporation has set up a designated online web address which may be accessed by the stockholders to register and vote in absentia on the matters presented for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

The following are the rules of conduct and procedures for the meeting:

- (i) Stockholders may attend the meeting remotely through the online web address ([https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)) provided. Questions and comments may be sent prior to the meeting and shall be limited to the Items in the Agenda.
- (ii) Each of the proposed resolutions will be shown during the livestreaming as the same is taken up at the meeting.
- (iii) Stockholders must pre-register through the online web address ([https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)) to participate in the Meeting by remote communication to be included in determining quorum, together with the stockholders who voted in absentia and by proxy.
- (iv) Voting shall only be allowed for Stockholders registered in the Voting in Absentia and Shareholder System or through the Chairman of the meeting as proxy.
- (v) Stockholders voting in absentia, who have previously registered through the online web address ([https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)), may cast their votes electronically within the voting period provided using such online web address prior to the meeting.
- (vi) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.
- (vii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes .
- (viii) The Committee of Inspectors of Proxies and Ballots will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.
- (ix) The meeting proceedings shall be recorded in audio and video format.

### **2. Approval of minutes of previous meeting**

***RATIONALE:*** To allow the stockholders to confirm that the proceedings of the Annual Stockholders Meeting held on 22 May 2019 were recorded accurately and truthfully.

The minutes of the meeting held on 22 May 2019 are posted at the Company website, [www.sbsph.com](http://www.sbsph.com). Copies of the minutes will also be distributed to the stockholders before the meeting.

A resolution approving the minutes will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding voting stock present at the meeting.

3. Annual Report by Management and Audited Financial Statements for 2019

*RATIONALE: To apprise the stockholders of the Company's operating performance, financial condition and outlook and present to the stockholder the audited financial results of the Company's operations in 2019, in accordance with Section 75 of the Corporation Code.*

The Vice-Chairman, Mr. Ricardo Nicanor N. Jacinto, and the President & Chief Executive Officer, Mr. Gerry D. Tan, will render a report to the stockholders on the highlights of the Company's operating performance and financial condition in 2019 and its business outlook for 2020. Such performance results are summarized in the Company's 2019 Annual Report by Management to the Stockholders, copies of which will be distributed to the stockholders before the meeting.

The Company's audited financial statements (AFS) as of December 31, 2019 will be included in the Definitive Information Statement to be sent to the stockholders at least 15 business days prior to the meeting. The AFS has been reviewed by the Audit and Risk Oversight Committee and by the Board of Directors and were audited by the Independent Auditors who have expressed an unqualified opinion.

The Stockholders will be given an opportunity to ask questions about the Company's performance and financial results before the AFS is presented for consideration and approval of the stockholders.

A resolution noting the annual report and approving the audited financial statements will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding voting stock present at the meeting.

4. Ratification of all acts and resolutions of the Board of Directors and Management since the last meeting of the stockholders to the date of this meeting

*RATIONALE: To allow the stockholders to ratify the acts and resolutions of the Board and Management in the conduct of business of the Corporation*

The Company regularly discloses material transactions approved by the Board and these disclosures are available and posted at the Company's website, [www.sbspsh.com](http://www.sbspsh.com). Other resolutions approved by the Board since the annual stockholders' meeting of 22 May 2019 are described in the Information Statement sent to all stockholders.

A resolution to ratify the acts and resolutions of the Board of Directors and Management since the meeting of the stockholders on 22 May 2019 to up to the date of the meeting shall be presented to the stockholders for approval.

5. Election of independent auditor

*RATIONALE: To appoint an independent auditor that can provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls, as evaluated and endorsed by the Company's Audit and Risk Management Committee and to authorize the Board of Directors to fix their remuneration.*

The Board of Directors, acting through its Audit and Risk Oversight Committee, will endorse to the stockholders the appointment of an independent auditor for the current fiscal year. The profile of the Punongbayan & Araullo who is recommended for appointment as independent auditor is provided in the Information Statement and in the Company website for examination by the stockholders.

A resolution for the appointment of the independent auditor will be presented to the stockholders for adoption by the affirmative vote of stockholders representing a majority of the voting stock present at the meeting.

6. Election of directors (including the independent directors)

*RATIONALE: To allow stockholders to elect the Company's Board of Directors in the exercise of their rights as stockholder in accordance with Section 24 of the Corporation Code and the Company's By-Laws.*

The following persons have been nominated for election to the Board of Directors and have accepted their nominations:

Mr. Ricardo Nicanor N. Jacinto  
Mr. Gerry D. Tan  
Mr. Esmeraldo A. Tepace  
Ms. Aylene Y. Sytengco  
Mr. Necisto Y. Sytengco II  
Ms. Lali Y. Sytengco  
Mr. Geocel D. Olanday, Independent Director  
Mr. Roberto F. Anonas, Jr. Independent Director  
Ms. Helen T. De Guzman Independent Director

All nominees except Ms. Lali Y. Sytengco are incumbent members of the Board of Directors of the Company. The nominees were formally nominated by shareholders to the Corporate Governance, Nomination and Remuneration Committee who reviewed their qualifications. All nominee-directors have been found to possess all the qualifications and none of the disqualifications prescribed for directors, including independent directors, under the Securities Regulations Code and its implementing rules, SEC Code of Corporate Governance, Company's Manual of Corporate Governance and such other applicable laws and regulations. Of the nominees, Mr. Geocel Olanday, Mr. Roberto F. Anonas Jr and Ms Helen T. De Guzman are eligible for election as independent directors in accordance with SRC Rule 38 and its implementing rules and regulations.

The directors may be elected by plurality of votes using the cumulative voting method. A stockholder may distribute his voting shares for as many nominees as there are directors to be elected, or he may cumulate his voting shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The nine nominees receiving the highest number of votes will be declared elected as directors of the Company.

7. Amendment of Company's By-Laws

*RATIONALE: To allow the stockholders to ratify the act of the Board and Management in approving the amendment of the By-laws of the Corporation.*

On August 5, 2020, the Board of Directors of the Corporation has approved and endorsed for approval of the stockholders the amendments to the following sections of the By-laws to comply with the applicable provisions of the Revised Corporation Code of the Philippines, to wit:

***Article II, Section 3, to indicate that stockholders' meeting can be done through remote communication and such participation shall be deemed present for purposes of quorum. The amended provision will read as follows:***

**Section 3.** Place of Meeting - Stockholders meetings, whether regular or special, shall be held at the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

**Any meeting of the stockholders may be held by means of telephone, video conferencing, or similar communications equipment whereby all persons participating in the meeting can hear each other, and such participation shall constitute presence at the meeting.**

***Article II, Section 4, to indicate that notices for stockholders' meeting can also be done in such other manner as the Securities and Exchange Commission shall allow under its guidelines. The amended provision will read as follows:***

**Section 4.** Notice of Meeting - Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery, or by mail or by facsimile or by email or any digital communication, **or such other manner as the Securities and Exchange Commission (Commission) shall allow under its guidelines**, at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last

known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

*Article II, Section 5, to indicate that stockholders' may also vote through remote communication or in absentia. The amended provision will read as follows:*

**Section 5.** Quorum - Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

**Stockholders casting their votes in absentia, as may be provided for by the Board of Directors, shall also be deemed present for purposes of determining the existence of a quorum. Meetings of the stockholders may be conducted via remote communication, such as by teleconferencing or videoconferencing, subject to such guidelines as may be promulgated by the Securities and Exchange Commission.**

*Article II, Section 6, to indicate that stockholders' meeting can be done through remote communication and such participation shall be deemed present for purposes of quorum. The amended provision will read as follows:*

**Section 6.** Conduct of Meeting - Meeting of the stockholders shall be presided over by the Chairman, or in his absence, by the President or in the absence of the Chairman and the President by a chairman to be chosen by the stockholders. The Secretary shall act as Secretary of every meeting, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

**Stockholders may participate and vote in a meeting through remote communications, such as videoconferencing, teleconferencing, or other alternative modes of communication as provided in the Corporation's internal procedures. A stockholder who, itself or by proxy, participates and/or votes through remote communication or in absentia shall be deemed present for purposes of quorum.**

*Article II, Section 7, to indicate that stockholders' may also vote through remote communication. The amended provision will read as follows:*

**Section 7.** Manner of Voting – At all meetings of stockholders, a stockholder may vote in person, or by proxy, **or via remote communication or in absentia, electronically or otherwise, as may be provided for by the Board of Directors.** Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

*Article III, Section 4, to indicate that directors who cannot physically attend or vote at the board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication as provided in the Corporation's internal procedures and such participation shall be deemed present for purposes of quorum. The amended provision will read as follows:*

**Section 4. Meetings** - Regular meetings of the Board of Directors shall be held once a month on such dates and at places as the Chairman of the Board, or in his absence, by the President, or upon the request of a majority of the Directors.

**Director/s who cannot physically attend or vote at any Board meeting may participate and vote through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication, as provided in the Corporation's internal procedures. Directors cannot attend or vote by proxy at Board meetings. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

*Article III, Section 5, to indicate that notices can also be sent by messengerial services, through electronic mail, or such other manner as the Securities and Exchange Commission shall allow under its guidelines. The amended provision will read as follows:*

**Section 5.** Notice - Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, facsimile or **by messengerial services, through electronic mail, or such other manner as the Commission shall allow under its guidelines,** A director may waive this requirement, either expressly or impliedly.

*Article III, Section 6, to indicate that directors who participate through remote communication shall be deemed present for purposes of quorum. The amended provision will read as follows:*

**Section 6.** Quorum - A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

**A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

*Article III, Section 7, to indicate that directors who cannot physically attend or vote at the board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication as provided in the Corporation's internal procedures and such participation shall be deemed present for purposes of quorum. The amended provision will read as follows:*

**Section 7.** Conduct of the Meetings - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by the President or in his absence, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting

**Director/s who cannot physically attend or vote at any Board meeting may participate and vote through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication, as provided in the Corporation's internal procedures. Directors cannot attend or vote by proxy at Board meetings. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

8. Consideration of such other business as may properly come before the meeting

The Company shall endeavor to answer as many of the questions and comments sent in advance by the stockholders.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by SBS through the stockholders' email addresses.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter : **SBS PHILIPPINES CORPORATION**  
(the "Company")
3. Province, country or other jurisdiction of incorporation or organization : **PHILIPPINES**
4. SEC Identification Number: **A200110402**
5. BIR Tax Identification Code : **213-054-503**
6. Address of principal office & Postal Code : **NO. 10 RESTHAVEN STREET**  
**SAN FRANCISCO DE MONTE, QUEZON CITY 1105**
7. Registrant's telephone number, including area code : **(63 2) 8371 1111**
8. Date, time and place of the meeting of security holders :  
**DATE : September 17, 2020**  
**TIME : 3:00 IN THE AFTERNOON**  
**PLACE : Due to the Covid-19 situation, there will be no physical venue for the meeting which will be conducted virtually via [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)**
9. Approximate date on which the Information Statement is first to be sent or given to security holders : August 18, 2020
10. **In case of Proxy Solicitations: NOT APPLICABLE**  
**Name of Person Filing the Statement/Solicitor:** \_\_\_\_\_  
**Address and Telephone No.:** \_\_\_\_\_
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

No. of Shares Issued and Outstanding	Title of Each Class (as of August 5, 2020)
	With Par Value of P1.00 per share
Amount of Debt Outstanding	N/A



12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

A total of 1,549,999,999 common shares of the Company are listed on the Philippine Stock Exchange.

## PART I.

### INFORMATION REQUIRED IN INFORMATION STATEMENT

#### A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) 2020 Annual Stockholders' Meeting

Date : **September 17, 2020**  
Time : **3 o'clock in the afternoon**  
Place : Due to the Covid-19 situation, there will be no physical venue for the meeting which will be conducted virtually via [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)  
Mailing Address : **No. 10 Resthaven Street  
San Francisco del Monte, Quezon City 1105  
Philippines**

(b) Approximate date on which the information statement is to be sent or given to security holders. **August 18, 2020**

Item 2. **Dissenters' Right of Appraisal**

The Sections 80 and 81, Title X of the Revised Corporation Code of the Philippines grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of changing or restricting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- the extension or shortening of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- a merger or consolidation; and

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares in accordance with the following procedure:

- (a) The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right.
- (b) If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.
- (c) If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

The Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment

until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares.

No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Upon payment by the Corporation of the agreed or awarded price, the stockholders shall forthwith transfer his shares to the Corporation.

The appraisal right is also available to a dissenting stockholder in case the Corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose as provided in Section 41 of the Revised Corporation Code of the Philippines.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) Other than their election to office, there is no matter to be acted upon in which any director or officer is involved or had a direct, indirect or substantial interest.
- (b) No director has informed the Company of his intention to oppose any matter to be acted upon at the annual stockholders' meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) As of August 5, 2020, the number of shares outstanding, net of treasury shares, is 1,549,999,999 common shares. Each common share is entitled to one vote.
- (b) All stockholders of record as of August 5, 2020 shall be entitled to notice and to vote at the annual stockholders' meeting.
- (c) Under the Company's By-Laws, each holder of the Company's common share has full voting rights. Each stockholder is entitled to one vote for each share of the capital stock held by the stockholder, in person or by proxy.

The vote at the elections of Directors is by stock vote and by ballot. In accordance with the Revised Corporation Code, each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as are to be elected as Directors, or he may give to one candidate as many votes as, the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.

However, the Revised Corporation Code and the Company's By-Laws provide that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal.

- (d) Security Ownership of Certain Record and Beneficial Owners and Management

i. Security ownership of certain record and beneficial owners of more than 5% as of 5 August 2020.

Class of Shares	Name & Address of Record Owner & Relationship with Company	Name of Beneficial Owner & Relationship with Record Owner <sup>2</sup>	Citizenship	Number of Shares held as of 5 August 2020	Ownership Percentage
Common	PCD Nominee Corporation (Filipino) <sup>1</sup> 37 F Tower I The Enterprise Center, Ayala Avenue, Makati City	BDO Securities Corporation <sup>3</sup>	Filipino	1,018,796,638	65.73%
		Abacus Securities Corporation <sup>3</sup>	Filipino	404,858,592	26.12%

- 1 *PCD Nominee Corporation is not related to the Company. PCD Nominee Corporation is the registered owner of shares beneficially owned by Participants of the Philippine Depository and Trust Corporation (PDTC), a private company organized to implement an automated book entry system for the handling securities transactions in the Philippines. Under the PDTC procedures, when an issuer of a PDTC -eligible security will hold a stockholders' meeting, PCD Nominee Corporation shall execute a pro-forma proxy in favor of the Participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the Participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the Participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.*
- 2 *Out of the 1,539,074,191 common shares registered in the name of PCD Nominee Corporation (Filipino), 1,018,796,638 common shares (65.73% of the capital stock) and 404,858,592 common shares (25.50% of the capital stock) are for the accounts of BDO Securities Corporation and Abacus Securities Corporation, respectively.*
- 3 *This includes the 1,014,852,295 common shares owned by the Company's parent company, Anesy Holdings Corporation, representing 65.47% shareholding interest in the Company. Mr. Necisto Y. Sytengco II, chairman of Anesy, will vote on the shares held by Anesy Holdings Corporation..*

ii. Security ownership of Directors and Management as of August 5, 2020.

Class of Shares	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership Direct (D) & Indirect (I)*	Ownership Percentage
Common	Gerry D. Tan	Filipino	D: 32,291	0.002%
Common	Esmeraldo A. Tepace	Filipino	D: 183,016	0.012%
Common	Aylene Y. Sytengco	Filipino	D: 10,662,441 I: 30,728,626 *	0.69% 1.98%
Common	Necisto Y. Sytengco II	Filipino	D: 5,367,629 I: 22,717,649 *	0.35% 1.46%
Common	Roberto F. Anonas, Jr.	Filipino	D: 1,241	0%
Common	Geocel D. Olanday	Filipino	D: 1,000	0%
Common	Ricardo Nicanor N. Jacinto	Filipino	D: 64,583	0.004%
Common	Helen T. De Guzman	Filipino	D: 1,000	0%
Common	Lali Y. Sytengco	Filipino	D: 2,991,030 I: 55,954,843 *	0.19% 3.61%
Common	Christine P. Base	Filipino	D: 0	-
Common	Jennifer B. Balao	Filipino	D: 0	-
Common	Maria Gemma R. Bien	Filipino	D: 0	-
Common	Sabrina Adamelle Poon-Sytengco	Filipino	D: 0 I: 5,367,629 **	- 0.35%

\* includes the assumed legitimate on the direct shareholding of the estate of Necisto U. Sytengco

\*\* held by member of officer's immediately family sharing the same household

- Security Ownership of Nominees for Election to the Board of Director as of August 5, 2020:

As of the date of this report, the Company received nominations for nine (9) members of the Board. The deadline for submission of nominations to the Board was on July 20, 2020.

Class of Shares	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership Direct (D) & Indirect (I)	Ownership Percentage
Common	Lali Y. Sytengco	Filipino	D: 2,991,030 I: 55,954,843 *	0.19% 3.61%
Common	Gerry D. Tan	Filipino	D: 32,291	0.002%
Common	Esmeraldo A. Tepace	Filipino	D: 183,016	0.015%
Common	Aylene Y. Sytengco	Filipino	D: 10,662,441 I: 30,728,626 *	0.69% 1.98%
Common	Necisto Y. Sytengco II	Filipino	D: 5,367,629 I: 22,717,649 *	0.35% 1.46%
Common	Roberto F. Anonas, Jr.	Filipino	D: 1,241	0%
Common	Geocel D. Olanday	Filipino	D: 1,000	0%
Common	Helen T. De Guzman	Filipino	D: 1,000	0%
Common	Ricardo Nicanor N. Jacinto	Filipino	D: 64,583	0.004%

\* includes the assumed legitime on the direct shareholding of the estate of Necisto U. Sytengco

iii. Voting trust holders of 5% or more

The Company knows of no person holding more than 5% of a class of shares of the Company under a voting trust or similar agreement.

iv. Change in control

Since the beginning of its last fiscal year, there have been no arrangements that resulted in a change in control of the Company.

**Item 5. Directors and Executive Officers**

**A. Directors**

As of the date of this report, the Board of Directors of the Company is composed of the following individuals:

Name	Age	Nationality	Position	Year First Elected/ Appointed	Date of Last Election
RICARDO NICANOR N. JACINTO	58	Filipino	Vice-Chairman	2015	22 May 2019
GERRY D. TAN	53	Filipino	Executive Director	2016	22 May 2019
ESMERALDO A. TEPACE	66	Filipino	Executive Director	2013	22 May 2019
AYLENE Y. SYTENGCO	36	Filipino	Executive Director	2008	22 May 2019

NECISTO Y. SYTENGCO II	35	Filipino	Executive Director	2010	22 May 2019
HELEN T. DE GUZMAN	62	Filipino	Independent Director	2019	22 May 2019
GEOCEL D. OLANDAY	64	Filipino	Independent Director	2018	22 May 2019
ROBERTO F. ANONAS, JR	64	Filipino	Independent Director	2017	22 May 2019

#### B. Principal Officers

As of the date of this report, the following are the Officers and Senior Executives of the Company:

Name	Age	Nationality	Position	Date First Appointed
GERRY D. TAN	53	Filipino	President & Chief Executive Officer	29 January 2016
ESMERALDO A. TEPACE	66	Filipino	Executive Vice President & Chief Operating Officer	5 March 2015
AYLENE Y. SYTENGCO	36	Filipino	Chief Financial Officer & Treasurer Compliance Officer	5 March 2015 April 1, 2018
NECISTO Y. SYTENGCO II	35	Filipino	Senior Vice President – Marketing Operations & Assistant Treasurer	9 July 2015
LALI Y. SYTENGCO	69	Filipino	Vice President for Purchasing	5 March 2015
CHRISTINE P. BASE	49	Filipino	Corporate Secretary	1 January 2017
JENNIFER B. BALAO	49	Filipino	Assistant Vice President & Accounting Head	1 December 2014
JOSE FIDEL R. ACUÑA	34	Filipino	Corporate Information Officer	1 April 2018
SABRINA ADAMELLE POON- SYTENGCO	35	Filipino	Investor Relations Officer	1 January 2017
MARIA GEMMA R. BIEN	51	Filipino	Internal Auditor	29 October 2018

#### C. Business Experience

**Gerry D. Tan** joined the Company in January 2016 as President & Chief Executive Officer. Mr. Tan has over 30 years of experience in the chemical distribution industry in the Philippines and the Asia-Pacific region. Prior his appointment in the Company, he was Senior Adviser and General Manager of Bluestar Silicones Asia-Pacific and a board director of Bluestar Silicones Shanghai of the China National Bluestar Corporation Group, a global frontrunner in new chemical materials. He led a successful career spanning key senior positions at Bluestar Silicones Asia-Pacific (2007 – 2015), Rhodia Silicones Asia-Pacific (1998-2007) and Rhone-Poulenc Philippines (1986-1998). Mr. Tan earned his BS Chemistry degree *magna cum laude* from Siliman University and holds a Masters Degree in Business Administration from the Ateneo de Manila University.

**Esmeraldo A. Tepace** joined the Company in 2004 and has served as its Chief Operating Officer/General Manager since 2004. Prior to joining the Company, he was the Sales & Marketing executive of Baler Industrial Corporation, JY International Marketing Corporation, CAWC, Inc. and Chemphil Manufacturing Corporation. Mr. Tepace has over 35 years of experience in the chemical distribution business in the Philippines. He also currently serves as President of the following corporations owned by the Sytengco Family: ADZ on Wheels Corporation; Aneco Industries Corporation, Baler Industrial Corporation, Sytengco Enterprises Corporation, Seren Philippines Corporation and ULife Corporation. Mr. Tepace graduated from Manuel L Quezon University with a degree on BS Chemical Engineering.

**Aylene Y. Sytengco** joined the Company as Treasurer in 2008 and has served as its Chief Financial Officer since 2013 and Compliance Officer since 2018. She is responsible for the day to day management of the financial affairs of the Corporation which covers accounting, financing & treasury, budget & financial planning and investment management. She also currently serves as an executive director (Director & Treasurer) of the corporations owned by the Sytengco Family which includes Anesy Holdings Corporation, ADZ On Wheels Corporation, Aneco Philippines Holdings Corporation, Anase Holdings Corporation, Baler Industrial Corporation, Canon Philippines Holdings Corporation, Sytengco Enterprises Corporation, Seren Philippines Corporation and ULife Corporation. She holds a degree in BS Management of Applied Chemistry from the Ateneo De Manila University.

**Necisto Y. Sytengco II** joined the Company as Purchasing Officer in 2008 and was appointed as VP Sales in 2010 and SVP – Marketing Operations in 2015 and Assistant Treasurer on 9 July 2015. He is responsible for planning and implementing sales and marketing programs of the Company. He also currently serves as the President of Anesy Holdings Corporation, and an executive director (Director & Vice President) of the corporations owned by the Sytengco Family which includes Aneco Philippines Holdings Corporation, Berny Philippines Holdings Corporation, Selec Holdings Corporation, Tamni Holdings Corporation, and ULife Corporation. He earned his BS Entrepreneurial Management Degree *cum laude* from the University of Asia and the Pacific.

**Ricardo Nicanor N. Jacinto** was elected as non-executive director of the Company on 9 July 2015. He currently also serves as a director of Torre Lorenzo Development Corporation as well as an Independent Director of Metro Retail Stores Group, Inc, Etiqa Life and General Assurance Philippines, and Maybank ATR Kim Eng Capital Partners, Inc. He is likewise a Trustee of the Judicial Reform Initiative and the Institute of Corporate Directors (where he previously served as its Chief Executive Officer from 2013-2017). He was formerly a Managing Director of Ayala Corporation and President & CEO of Habitat for Humanity Philippines. He also served as a director of Manila Water Corporation from 2011-2014. Mr. Jacinto earned his BS Business Economics magna cum laude from the University of the Philippines and holds a Masters in Business Administration from the Harvard Business School.

**Geocel D. Olanday** was elected as independent director on 22 June 2018. He is the Lead Independent Director and Chair of the Related Party Transaction Committee. He is a CPA, holds a Masteral degree in Business Administration from the University of the Philippines where he also graduated with a degree of Bachelor of Science in Business Administration and Accountancy. He is concurrently the CEO and Chief Advisor of Amaris Global Advisory Services (HK) Ltd., a teaching Fellow of the Institute of Corporate Directors, and a director of the board of Star 8 Green Technology Corporation (manufacturer and distributor of Solar E-Vehicles) and Aeternitas Memorial Chapels. Prior to his appointment, Mr. Olanday was a director of Mindoro Resources Ltd (a TSX-V listed junior mining company). In addition, he has over 40 years of work experience in senior executive positions in General Management, Finance, Marketing and Strategy & Business Development in various companies which include among others : Citibank NA, Unilever Philippines, Habitat for Humanity , Baxter Healthcare Corporation, and several real estate companies and related businesses at the Villar Group of Companies (Camella, Brittany, Crown Asia, Star Mall, Golden Haven, MGS Construction, Primewater, Planet Cable, Vitacare Hospital JV, Transportation, Pest Control, etc.) as well as Moldex Realty Corporation and Greenfield Development Corporation.

**Roberto F. Anonas, Jr.** was elected as independent director on 9 October 2017 and is also the Chairman of the Corporate Governance, Nomination and Remuneration Committee. He is currently Director and General Manager at Fujihaya Electric Corporation. He is also an Independent Director and Chair of the Audit Committee of Macay Holdings, Inc. He holds a Masters in Business Administration from IMEDE, a Management Development Institute under the University of Lausanne, Switzerland and is currently a member of the faculty of the University of Asia and the Pacific, School of Management as lecturer in Finance and management mentor/coach and Head of the New Business Ventures Module in the Entrepreneurial Management Program. He has attended training programs in financial management, investment and universal banking with Dillon Read & Co, NYC and Dresdner Bank AG, Frankfurt and has previously held senior management and executive positions in PLDT, PCI Capital Corporation and Philippine Commercial Capital, Inc. He is also a director of Pentarch Stalwark Builders, Inc.

**Helen T. De Guzman** was elected as independent director on 22 May 2019 and is also the Chairperson of the Audit and Risk Oversight Committee. Helen holds an Executive Masteral degree in Business Administration dean's list from the Asian Institute of Management. She is a certified public accountant, certified internal auditor and has global certification on risk management assurance. Currently, she is an Audit Committee advisor of the Peace and Equity Foundation Inc., board trustee of the Meralco Employees' Savings and Loan Association and a teaching Fellow and instructor of the Institute of Corporate Directors and the Institute of Internal Auditors Philippines, respectively. Previously she held directorship positions in Miescor Builders, Inc., Customer Frontline Solutions, Inc., and the

Philippine Institute of Certified Public Accountants, Institute of Internal Auditors, Philippines, and the Asian Confederation of Institutes of Internal Auditors. Helen is a seasoned chief audit executive and a former external auditor. In addition, she has work experience in senior executive positions in comptrollership, treasury and general management in various companies, which include Metro, Inc., Computer Information System, Inc. and the Manila Electric Company.

**Lali Y. Sytengco** joined the Company in 2001 and has since served as the VP for Purchasing. She is responsible for product sourcing and supplier relationship management. She has over 20 years' experience in chemical procurement business. She is a graduate of University of Sto. Tomas, with a degree in BS Medical Technology.

**Christine P. Base** was appointed as Corporate Secretary of the Company in January 2017. Atty C. P. Base is a senior partner of Pacis & Reyes Law offices and is both a lawyer and CPA by profession. She obtained her J.D. degree from the Ateneo De Manila University. She also serves as corporate secretary and director of the following companies: Italphinas Development Corporation and Anchor Land Holdings, Inc. and other private companies. She also serves as the corporate secretary for SL Agritech Corporation, Ever Gotesco Resources and Holdings, Inc., Asiasec Equities, Inc., and Araneta Properties, Inc..

**Jennifer B. Balao** joined the Company in 2014 as Assistant Vice President and Accounting Head. She was previously the HR and Finance Director of Pinnacle Real Estate Consulting Services Inc. and the Accounting Manager of Expressions Stationary Shop, Inc. She is a Certified Public Accountant and earned her Accounting degree from the Polytechnic University of the Philippines. She also holds MBA units from De La Salle University.

**Atty. Jose Fidel R. Acuña** earned his Bachelor's Degree in Law at Far Eastern University, and Bachelor of Arts Major in Legal Management at the University of Santo Tomas. He is currently a Senior Associate at Pacis and Reyes, Attorneys. Atty. Acuña is currently a Director of Italphinas Development Corporation, the Deputy Compliance Information Officer for SL Agritech Corporation, and the Corporate Secretary for Tanay Rural Bank. He is also a Director and/or Corporate Secretary for several private corporations.

**Sabrina Adamelle Poon-Sytengco** is the Investor Relations Officer of the Company. Prior to her joining the Company, Ms. Poon previously worked as Program Officer in the Office of the Presidential Adviser on the Peace Process. She holds a Bachelors of Arts degree in International Studies, Major in International Relations from Miriam College and continuing education units in Women and Gender Studies from University of Delaware.

**Maria Gemma R. Bien** is the Internal Auditor of the Company. She manages the operations and business development activities of GRP Compliance and Advisory Services Inc. ("GRP"), a finance and accounting business processing outsourcing company that offers value-added services such as but not limited to management and financial advisory, statutory compliance and tax advisory and internal audit outsourcing. Prior to setting up GRP in August 2016, she was engaged in the practice of providing financial advisory services to corporate and individual clients from 2009 as freelance consultant, leveraging on her ten (10) years extensive experience in Financial Advisory works as Senior Manager from 1997 to 2008 in Manabat San Agustin and Co. (LM & Co.), an affiliate member firm of KPMG. Ms. Bien obtained her Master of Business Administration (MBA) in Dela Salle University, Taft Avenue, Manila in 1995. She completed her Bachelor of Science in Commerce degree Major in Accounting from the University of Sto. Tomas, España Manila and became a Certified Public Accountant.

The following persons have been nominated for election to the Board of Directors at the Annual Stockholders' Meeting to held on September 17, 2020 and have accepted their nominations:

1. RICARDO NICANOR N. JACINTO
2. GERRY D. TAN
3. ESMERALDO A. TEPACE
4. AYLENE Y. SYTENGCO
5. LALI Y. SYTENGCO
6. NECISTO Y. SYTENGCO II
7. ROBERTO F. ANONAS, JR., Independent Director
8. GEOCEL OLANDAY, Independent Director
9. HELEN T. DE GUZMAN, Independent Director

Mr. Necisto Y. Sytengco II, a shareholder, formally nominated the first 5 nominees to the Nomination, Remuneration and Corporate Governance Committee (composed of Mr. Roberto F. Anonas, Jr., Independent Director as Chairman and Mr. Geocel D. Olanday, Ms. Helen T. De Guzman, and Mr. Ricardo Nicanor N. Jacinto as members). Ms. Aylene Y. Sytengco nominated the 6<sup>th</sup> nominee on the list. Meanwhile, Ms. Gem Shienne C. Tanbio, a shareholder and no relation to the independent directors, formally nominated the 3 nominees for independent directors. Of the nominees, Mr. Roberto F. Anonas, Jr., Ms. Helen T. De Guzman, and Mr. Geocel Olanday are eligible for election as Independent Directors in accordance with SRC Rule 38 and its implementing rules and regulations. The nominees for independent director comply with term limit set the Securities and Exchange Commission. Their certification of



their qualifications and non-applicability of the disqualifications as Independent Directors are attached hereto as Annexes A-1 to A-3.

Under the Company's Manual of Corporate Governance, the Board shall be composed of nine (9) directors, one-third of which shall be composed of independent directors, all of whom shall have a term of one year from date of the annual meeting of the stockholders or until their successors have been elected and have qualified.

The following are procedure and criteria for the screening of persons nominated for election to the Board of Directors:

- (a) Written nominations by the stockholders shall be received by the Company not later than sixty (60) calendar days before the date of the Annual General Meeting of the Stockholders;
- (b) The Corporate Governance, Nomination and Remuneration Committee (the "Committee") shall assess and determine if the person nominated for election to the Board of Directors possess all the qualifications and none of the disqualifications prescribed for directors, including independent directors, under the Securities Regulations Code and its implementing rules, SEC Code of Corporate Governance, Company's Manual of Corporate Governance and such other applicable laws and regulations.
- (c) Thereafter, the Committee shall identify and recommend a shortlist of qualified nominees for election at the Annual Meeting of the Stockholders.

To date, no director has resigned from, or declined to stand for re-election to the Board since the date of the 2018 Annual Meeting of Stockholders due to any disagreement with the Company relative to its operations, policies and practices.

The officers of the Company are elected annually by the Board during its organizational meeting.

None of the directors and officers of the Company work for the Government of the Republic of the Philippines as certified by the Corporate Secretary, a copy of such certification is attached herewith as Annex B.

#### D. Significant Employee

The Company has no employee who is not an executive officer and who is expected in his individual capacity to make a significant contribution to the business.

#### E. Family Relationships

Ms. Lali Y. Sytengco, VP for Purchasing and director-nominee, is the mother of Aylene Y. Sytengco, Director, CFO & Treasurer and Compliance Officer, and Necisto Y. Sytengco II, Director & SVP-Marketing Operations & Assistant Treasurer. Aylene Y. Sytengco and Necisto Y. Sytengco II are siblings. Ms. Sabrina Adamelle Poon-Sytengco, Investor Relations Officer, is the wife of Necisto Y. Sytengco II.

There are no known family relationships between the current members of the Board and key officers of the Company other than the above.

#### F. Involvement in Certain Legal Proceedings

There has been no occurrence of any of following events during the past five (5) years up to the date of this report which are material to an evaluation of the ability or integrity of any director, any person nominated to become a director, executive officer or control person of the Company:

- (i) Any insolvency or bankruptcy petition filed by or against any business of which such persons was a general partner or executive officer either at the time of insolvency or bankruptcy or within two years prior to that time;
- (ii) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (iii) Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities, commodities or banking activities; and
- (iv) Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

#### G. Ownership Structure and Parent Company

As of 5 August 2020, Anesy Holdings Corporation owns 65.47% of the outstanding voting shares of the Company. Anesy Holdings Corporation is owned and controlled by the Estate of Necisto U Sytengco (55.5%) and Sytengco family members, Aylene, Necisto II and Ned Bryan all surnamed Sytengco (12.5% each respectively) and Evelyn T. Ching (7%), hereafter referred to as the “Sytengco Family”.

#### I. Certain Relationships and Related Transactions

The Company, in the regular course of business, engages in transactions with its affiliates and other related parties, principally in the form of sale of goods, advances and reimbursement of expenses, leasing and management and administrative service agreements. All these affiliates are directly and majority owned by the Sytengco Family who are also members of the Board of Directors and/or Management.

These transactions are generally carried out at the prevailing market rates or on terms which are no less favourable than the usual commercial terms extended to unrelated third parties. All related party transactions are reported and monitored by the Related Party Transactions Committee with material related party transactions reviewed and approved by the Committee and/or the Board of Directors.

The following are the transactions of the Company with its related parties:

- (i) Purchase and Sale of Goods - The Company in the normal course of business provides or obtains goods from its affiliates. Sales and purchases of goods to and from its related parties are made at arms-length and at terms no less favourable than those entered between unrelated parties.
- (ii) Lease Agreements - The Company is leasing its corporate offices and warehouse facilities from its affiliates. The lease arrangement allows the Company to continue with its asset-light approach to its chemical business operations. The lease rates charged by affiliate-lessors of the Company’s leased offices and warehouses are at terms comparable to prevailing market rates offered by unrelated parties within the localities.
- (iii) Advances - The Company, from time to time, borrows and lends certain portion of its funds to related parties as temporary financing measures to address short term funding gaps, or as part of its working capital management for the enhanced ability to manage inventory and cash flow. These are non-interest bearing and unsecured transactions that are payable on demand and in cash. These payables normally have no fixed repayment dates. The advances are generally settled between the parties within a brief period of time.
- (iv) Shared Business and Management Services - The Company and its affiliates have entered into a resource sharing arrangement to benefit from the operating efficiencies created from the pooling of certain manpower resources and the sharing of services. Under these shared services agreements, the Company extends back office services. These include provision for corporate services to attend to the statutory and regulatory reportorial obligations of the affiliate as well as the provision of general company secretarial, management information systems, and administrative services. It also covers treasury services accounting and tax services such as records keeping, billing and collection, order processing, preparation of financial reports and tax return preparation. The shared services operations provide for a centralized delivery of back-office services and are intended to manage costs through the sharing of facilities and equipment and the standardization of business processes for greater efficiency especially on compliance matters.

Under this arrangement, the Company is paid a monthly service fee which take into consideration the fully allocated or distributed costs of the services provided depending whether the serviced company is an inactive company or an operating company.

For a more detailed discussion on these related party transactions, please refer to Note 19 of the Company’s Consolidated Audited Financial Statements for the twelve month period ended 31 December 2019 which forms part of the Appendix of this report.

#### Item 6. Compensation of Directors and Executive Officers

Currently, each independent and non-executive Director receives a per diem allowance of P25,000.00 for every attendance in regular meetings and special meetings of the Board of Directors, respectively. In addition, the independent and non-executive directors also receive a per diem allowance of P10,000.00 for each Board Committee meeting attended.

DIRECTOR	DIRECTORS' FEES (2019)	DIRECTORS' FEES (Projected 2020) <sup>1</sup>
Necisto U. Sytengco	Executive Directors do not receive any compensation or per diem by reason of their directorship.	
Gerry D. Tan		
Esmeraldo A. Tepace		
Aylene Y. Sytengco		
Necisto Y. Sytengco II		
Ricardo Nicanor N. Jacinto	Php345,000.00	Php270,000.00
Geocel D. Olanday	Php345,000.00	Php270,000.00
Roberto F. Anonas, Jr	Php345,000.00	Php270,000.00
Helen T. De Guzman	Php160,000.00	Php270,000.00

Other than the payment of reasonable per diem allowances as discussed above, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

The total remuneration paid to the President & CEO and the top four highly compensated officers as well as to the other directors and officers as of 31 December 2019 is disclosed in the table herein below provided.

The officers of the Company are covered by appointment letters which describe their responsibilities, compensation package and other conditions of work. Except for the legally mandated benefits for termination of employment or retirement from office, there are no special arrangements for compensation to be paid to executive officers in the event of termination of employment or resignation or change in control of the Company. No options or stock warrants are payable to director and executives.

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonuses	Others
<ul style="list-style-type: none"> <li>Gerry D. Tan, President &amp; CEO</li> <li>Esmeraldo A. Tepace - EVP &amp; COO</li> <li>Aylene Y. Sytengco - Chief Financial Officer &amp; Treasurer; Compliance Officer</li> <li>Necisto Y. Sytengco II -SVP Marketing Operations &amp; Assistant Treasurer</li> <li>Emerson P. Paulino – ERP Project Head</li> </ul>	Projected 2020	7,010,000.00	221,162.31	1,545,383.39
	Actual 2019	4,497,651.36	188,817.89	3,348,903.73
	Actual 2018	4,069,522.24	164,281.15	2,440,208.43
	Actual 2017	3,640,724.62	150,095.85	3,760,390.29
All other officers and directors as a group unnamed	Projected 2020	630,000.00	58,333.33	360,000.00
	Actual 2019	976,887.38	19,095.80	11,243.13
	Actual 2018	1,143,594.26		287,345.20
	Actual 2017	3,114,692.90	57,507.99	816,199.68

#### Item 7. Independent Public Accountants

- (a) Having considered the adequacy of its resources and experience, the Board of Directors has recommended the re-appointment of the accounting firm of Punongbayan & Araullo as external auditor of the Company for the financial year 2020.

The firm has been the Company's independent auditors since 2013. The Company's Audit and Risk Oversight Committee (composed of Ms. Helen T. De Guzman, Independent Director as Chairman, Mr. Geocel D. Olanday, Independent Director, Mr. Roberto F. Anonas, Jr, Independent Director, Mr. Ricardo Nicanor N.

<sup>1</sup> Based on 6 scheduled board meetings and 4 scheduled meetings per committee.

Jacinto, Non-Executive Director, and Ms. Aylene Y. Sytengco, Executive-Director, as members) has satisfied itself of the suitability of the Punongbayan & Araullo to meet the audit requirements of the Company for financial year 2020 and has recommended their re-appointment as external auditors of the Company

- (b) Mr. Anthony L. Ng, a partner in the Audit and Assurance Division of Punongbayan & Araullo is the audit engagement and signing partner assigned to handle the account of the Company and its subsidiaries since FY 2018.
- (c) Representatives of the firm for the current year and for the most recently completed fiscal year will be expected to be present at the Annual Meeting of Stockholders to be held on 17 September 2020 and they will have the opportunity to make a statement, if they so desire, and are expected to be available to respond to appropriate questions.
- (d) Punongbayan & Araullo has been the Independent Accountants/external auditor of the Company since 2013. For the three most recent fiscal years, there was no instance where the Company's external auditor resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Company had any disagreement on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure with the said external auditor.

#### *Audit and audit related fees*

The aggregate fees paid, inclusive of the value added tax and out of pocket expenses, for each of the last three (3) financial years for professional services rendered by the external auditor as approved by the Audit and Risk Oversight Committee are as follows:

	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Fees for Audit & Audit Related Services	P 1,675,000.00	P 1,300,000.00	P 1,415,000.00
Fees for tabulation of voting results of the Annual Stockholder's Meeting	50,000.00	50,000.00	50,000.00
Other fees	0	0	0

The Company engaged Punongbayan & Araullo to audit its annual financial statements including its 2 subsidiaries, its disbursements of the IPO proceeds in 2019, agreed upon procedures on the quarterly consolidated condensed financial statements, and agreed upon procedures on the increase in authorized capital stock of its subsidiary in 2019. Punongbayan & Araullo also assisted in the tabulation and validation of votes during the 2019 annual stockholders' meeting. No tax consultancy services were secured from Punongbayan & Araullo for the past three years.

In 2017, the Fee for Audit and Related Audit Services includes a review of its interim financial statements in connection with its statutory and regulatory reportorial filings and the performance of circle up procedures in relation to the financial information provided in the Offering Memorandum for the Stock Rights Offering, and its capital infusion in relation to the subscription in the increase in authorized capital stock of its subsidiary.

#### *Audit and Risk Oversight Committee Policies and Procedures*

The Audit and Risk Oversight Committee ("Committee") of the Company makes recommendations to the Board on the appointment, re-appointment, resignation, and removal of external auditors as well as their remuneration and terms of engagement. Prior to the appointment of the external auditor, the Committee meets with the external auditor to review and discuss the nature and scope of its audit program for the Company as well as to evaluate and determine the expenses and fees for the audit and other related work. Subject to shareholder approval, the Company will appoint the external auditors to audit the Company. The Committee review significant financial reporting issues and compliance matters as well as announcements and disclosures relating to the Company's financial results before they are submitted for the consideration and approval of the Board of Directors.

#### **Item 8. Compensation Plans**

There are no existing or planned stock options. No action is to be taken at the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

#### **Item 9. Authorization or issuance of securities other than for exchange**

There are no matters or actions to be taken up with respect to authorization or issuance of securities.

#### **Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up for the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

(a) The following financial reports and related documents are herewith attached as Appendix 1.

- (i) Statement of Management's Responsibility for Consolidated Financial Statements of the Company and its Subsidiary as of December 31, 2019 and 2018.
- (ii) Report of Independent Auditors
- (iii) Consolidated Financial Statements as of December 31, 2019 and 2018 and Notes to Consolidated Financial Statements
- (iv) Report of Independent Auditors to Accompany Supplementary Information Required by the SEC to be filed separately from the Basic Financial Statements
- (v) Supplementary Schedules to Consolidated Financial Statements as of December 31, 2019. (Annex 68-J, SRC Rule 68)
- (vi) Report of Independent Auditors on Components of Financial Soundness Indicators
- (vii) Supplemental Schedule of Financial Soundness Indicators December 31, 2019 and 2018.
- (viii) Interim Condensed Consolidated Financial Statements (Unaudited) as of June 30, 2020 and 2019 and Notes to Financial Statements
- (ix) Supplementary Schedules to Interim Condensed Consolidated Financial Statements as of June 30, 2020 (Annex 68-J, SRC Rule 68)
- (x) Management Discussion and Analysis of Financial Condition and Results of Operations as of June 30, 2020 as compared with the financial condition and results of operations as of June 30, 2019
- (xi) Summary of Disbursement of IPO Proceeds as of December 31, 2019 certified by the Chief Financial Officer & Treasurer;
- (xii) Notes to the Schedules on the Disbursement of IPO Proceeds and Progress Report as of and for the Year ended December 31, 2019;  
Report of Review of Certain Financial Information by External Auditor on Summary of Disbursement of IPO Proceeds as of December 31, 2019;

#### **(b) Description of the General Nature and Business of the Company and Plan of Operations**

SBS Philippines Corporation (the "Company") was incorporated on 17 July 2001 and was formerly known as Sytengco Philippines Corporation. The change to its present name was approved by the SEC on 18 November 2014. On 10 August 2015, the Company became a public company and was admitted to the Main Board of the Philippine Stock Exchange.

As of 31 December 2019, the Company is 65.47% owned by Anesy Holdings Corporation, 10.34% by the directors, officers, employees and affiliates of the Company, and 24.19% by the public. Its registered office address and principal place of business is 10 Resthaven Street, San Francisco Del Monte, Quezon City.

The Company's principal business is in chemical trading and distribution. This business was founded by Mr. Necisto U. Sytengco in the 1970s which begun as a single proprietorship merchandising firm engaged in the import-

wholesale trade of chemicals and other products. As its chemical trading business grew, the Sytengco family began setting up large dedicated and strategic distribution and warehousing facilities to better manage the flow of materials, gain economies of scale and have a more leveraged cost structure. By the 1990's, the Company became an important chemical supplier to leading manufacturing businesses.

Currently, the Company provides a one-stop-shop business solution to its customers by offering a comprehensive selection of chemical products to service a wide range of industries: (i) food ingredients, (ii) industrial, (iii) agribusiness, feeds and veterinary care, (iv) pharmaceutical, and (v) personal care and cosmetics. It also provides value-added services to its customers by providing logistics management in sourcing, procuring, warehousing and transporting chemical products and materials. Its highly diversified portfolio of products allows the Company to bundle and combine multiple orders of different products in smaller volumes, providing for a convenient stable source and "one-stop shop" single partner for the various chemical needs of its market customers. Clients are offered a full line of chemical and ingredient products on stock for which they can order in great variety and are programmed for dispatch and delivery in accordance with their requirements.

To create further value for its shareholders and transform the Company beyond its core business of chemical distribution, the Company embarked on a strategy of making investments in property related assets and businesses. This investment strategy will allow the Company to grow and diversify the Company's revenue and earnings streams by exploiting opportunities in the fast-growing real property sector while at the same time counteracting cyclicalities and volatility in its core chemical trading business.

In 2016, the Company established a wholly-owned subsidiary, SBS Holdings and Enterprises Corporation ("SBS Holdings") which was set up to eventually be the holding company for all real estate investments. Apart from these investments, its other business segments include property management and leasing as well as the distribution and sale of construction materials.

In November 2017, the Company also formed a new subsidiary, Lence Holdings Corporation, with the Company subscribing to a 65% equity interest, 25% by the Corporation's wholly owned subsidiary, SBS Holdings and Enterprises Corporation and 10% by the Sytengco family. The new subsidiary served as the acquisition vehicle for the investment in a warehouse facility complex which will be partly used in the warehouse and distribution operations of the Corporation to serve as a key distribution center for regional market customers south of Metro Manila. Given that SBS customers are looking for savings, the south depot will allow greater opportunities for customers cut down on their logistics and sourcing organization, integrate the Corporation's procurement and logistic capabilities in their business processes, and promote collaborations for supply chain optimization to simplify their operations. The arrangement will also allow the lease or use of the other areas for additional business building projects of SBS group.

In 2018, the Company subscribed to additional shares of its subsidiaries, SBS Holdings and Enterprises Corporation and Lence Holdings Corporation. It also invested 5.5% shareholding interest in Berny Philippines Holdings Corporation.

In 2019, the Company subscribed to additional shares of SBS Holdings and Enterprises Corporation. The Company also continued to acquire minority stakes in companies investing in prime real properties. These investments consist of shareholdings of 25.5% in Smyte Phils. Holdings Corporation and 7.75% in Goldchester Holdings Corporation.

Except as stated in the preceding paragraphs, there has been no other business development such as bankruptcy, receivership or similar proceedings or any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets that is not in the ordinary course of business.

### **(c) Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussions should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements of the Company as of and for the period 30 June 2020 (with comparative figures as of 31 December 2019 and for the period ended 30 June 2019).*

#### **Results of Operations (1H 2020 versus 1H 2019)**

SBS Philippines Corporation ("SBS" or the "Company") and its subsidiaries generated sales revenue of P531.4 million in the first six months of 2020, down by 14.8% compared to comparable period of prior year at P624.0 million mainly due to significant decline in industrial sectors' manufacturing activities impacted by the community quarantine implemented to contain the COVID 19 transmission in various parts of the country.

During this period, pharmaceutical ingredients, home care and sanitation raw materials registered increase in sales revenue compared to the same period last year while the industrial segment suffered 21.5% reduction in sales over the same period. The strengthening of the local currency in the first half of the year contributed to improved gross margin for the first half of the year.

The Company posted a gross profit of P172.6 million in the first six months of 2020, maintaining similar level of margin as the previous year due to improved gross margin percentage for chemical distribution business and higher revenue for the consultancy income.

Operating profit on a consolidated basis increased to P77.3 million from P73.9 million on comparable period with reduction in operating expenses for the current year compared to prior year. Net finance cost incurred in 1<sup>st</sup> half 2020 increased by P15.6 million to finance the Company's investment strategy while equity in net losses of associates increased by P16.3 million, resulting in a consolidated loss before tax of P7.5 million for the first six months of 2020 compared to a profit before tax of P20.9 million of the same period the prior year. Meanwhile, net income tax expense decreased from P8.6 million in 1<sup>st</sup> half of 2019 to P6.2 million in 2020. Consequently, the net loss for the period amounted to P13.7 million versus a net profit of P12.4 million registered for 2019 comparable period.

**Material Changes to the Statement of Comprehensive Income for the six months ended 30 June 2020 compared to the Statement of Comprehensive Income for the six months ended 30 June 2019.**

Gross revenues for the period declined by 14.8% from P624.0 million in 2019 to P531.4 million in 2020. The 2<sup>nd</sup> quarter was affected by two months of enhanced community quarantine in Luzon resulting to a lowest quarterly sales revenue for the distribution business over the past three years at P238.6 million, a decline of 23.9% compared to same quarter of last year, and a 13.3% decrease compared to the 1<sup>st</sup> quarter 2020 sales revenue. Meanwhile, revenue from consultancy services for the 1<sup>st</sup> half of 2020 increased to P17.6 million from P16.3 million during the same comparative period last year.

Cost of sales decreased by P91.2 million in the first six months of 2020, from P446.7 million in 2019 to P355.4 million in 2020 of comparable period, mainly reflecting the decrease in sales volume. Meanwhile, the cost of services incurred by the Group during the period slightly decreased from P4.5 million in 1<sup>st</sup> half of 2019 to P3.4 million in the same period of 2020 due to limited activity.

Gross profit from core operations remains at similar level of P172.8 million posted in 2019 compared to P172.6 million in 2020. The level of gross profit was maintained due to improvement in gross margin by 4 percentage points largely attributed by the strengthening of the peso currency this year and favorable product mix of the distribution business and a higher margin in consultancy services.

Other operating expenses decline by 3.5% to P97.2 million in 2020 from P100.8 million posted in 2019 on account of lower sales and consultancy activities due to the enhanced community quarantine implemented in Luzon for more than two months during the period.

In the first six months of 2020, the net finance cost increased to P60.1 million from P44.5 million for the same period of the prior year due to higher interest expense incurred on the outstanding loan liabilities.

Equity in net losses of associates increased to P24.7 million in 2020 from P8.5 million posted on the same period last year.

The consolidated income tax expense decrease from P8.6 million in the first half of 2019 to P6.2 million during the same period of 2020. Consequently, the Company incurred a net loss of P13.7 million in 2020 from a net profit of P12.4 million in 2019 as a result of higher finance cost and increased equity in net losses of associates for the current period compared to the same period of the prior year.

**Material Changes to the Statement of Financial Position as at 30 June 2020 Compared to the Statement of Financial Position as at 31 December 2019**

**Assets**

As at 30 June 2020, total assets on consolidated basis reached P8,433.5 million, consisting of P2,315.3 million in current assets and P6,118.1 million in non-current assets. As at 31 December 2019, total assets reached P8,447.9 million, consisting of P2,311.7 million in current assets and P6,136.2 million in non-current assets.

Cash in banks decreased by 10.7% from P395.6 million in 2019 to P353.3 million in 2020. For the first six months ended 30 June 2020, a total collection of P202.0 million were received as follows: P201.7 million as cash generated from operation and P0.3 million in interest income. Against this, a total of P244.3 million in settlements were made consisting of the following: P134.0 million for settlement of loans, P58.6 million for interest payment, P38.2 million as advances for asset acquisition, P7.8 million for payment of lease liabilities, P4.7 million on exchange rate effect, P0.8 million for acquisition of equipment and P0.2 million for acquisition of intangible asset.

Trade and other receivables increased by 8.8% from P815.6 million in 2019 to P887.3 million in 2020 primarily due to delayed payments received from customers as a result of their decreased activities.

Inventory level decreased by P18.4 million or 1.8% from P1,004.3 million in 2019 to P985.9 million in 2020 as Company slowed down the replenishment of inventory in anticipation of decreased customer demand during the 2<sup>nd</sup> quarter period affected by the community quarantine.

Prepayments and other current assets decreased by 7.6% from P96.2 million in 2019 to P88.9 million as of June 30, 2020 with reduction in prepaid expenses and input VAT asset.

Investment properties decreased by P2.9 million to P932.0 million in first half of 2020 from P934.9 million as of December 31, 2019 due to depreciation on building and land improvement of its investment asset.

Right-of-use asset decreased by P20.8 million from the carrying amount of P93.1 million as of December 31, 2019 to P72.3 million carrying value as of June 30, 2020.

Investments in associates decreased to P2,098.3 million in the first half of 2020 from P2,123.0 million at the end of 2019 which corresponds to the equity in net losses amounting to P24.7 million incurred by the Group on its investments in the associate companies.

Carrying cost of property and equipment decreased by P6.9 million or 7.4% to P85.8 million in 2020 from P92.6 million in 2019 as a result of depreciation expense during the period.

Other non-current assets increased by 1.3% to P2,907.5 million in the 1<sup>st</sup> half of 2020 from P2,869.0 million as of December 31, 2019 mainly due to deposit for investment subscription by the Group in an associate company.

#### **Liabilities**

The total liabilities as at 30 June 2020 amounted to P2,769.4 million, comprising of P2,073.8 million in current liabilities and P695.6 million in non-current liabilities. As at 31 December 2019, the total liabilities stood at P2,770.1 million comprised of P1,780.9 million in current liabilities and P989.2 million in non-current liabilities.

Current loans payable increased by 9.7% from P1, 617.8 million in 2019 to P1,774.3 million in 2020 due the reclassification of P290.6 million from non-current liability to the current portion of long term debt and offset by loan settlement of P134.0 million made during the period.

A 5-year term loan of P2,000.0 million availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost has an outstanding balance of P1,166.0 million of which P666.7 million is reflected under the non-current liability.

Trade and other payables increased by P139.2 million from P138.3 million in 2019 to P277.6 million as at June 30, 2020 as Philippine peso appreciation and reduction of interest rate allowed the Company to maximize the trust receipt payable duration.

Current lease liabilities decreased by P2.9 million from P24.8 million in 2019 to P21.9 million in 2020, while non-current lease liabilities decreased by P4.8 million from P19.3 million in 2019 to P14.5 million as at June 30, 2020 with lease payments made during the period.

#### **Total equity**

The total equity as at 30 June 2020 was P5,664.1 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,090.8 million in retained earnings, gross of the P2.5 million revaluation reserves and P783.0 million non-controlling interest in a subsidiary. As of 31 December 2019, the total equity was P5,677.7 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,091.8 million in retained earnings, gross of P2.5 million revaluation reserves and P795.6 million non-controlling interest in the subsidiaries.

Retained earnings decreased by P1.07 million from P1,091.82 million in 2019 to P1,090.76 million in 2020 on account of current period loss of P1.07 million attributable to Company shareholders.

#### **Liquidity and Capital Resources**

##### *Net cash flows from operating activities*

The 2020 cash flows from operating activities resulted to a net inflow of P201.7 million mainly from the operating profit, decrease in inventories and prepayments, while increasing the trade and other payables. This is partially offset with the increase in trade and other receivables.



#### *Net cash flows from investing activities*

The cash flow in investing activities resulted to a net outflow of P39.0 million mainly due to advances for investment subscription and acquisition of equipment and computer software that is partially compensated by interest income.

#### *Net cash flows used in financing activities*

The cash flow from financing activities resulted in a net outflow of P200.4 million. The cash outflow mainly comprised of loan settlement, payment of lease liabilities and interest payment.

*The following discussions should be read in conjunction with the 2019 Audited Consolidated Financial Statements of the Company and its Subsidiaries as of and for the years ended 31 December 2019 (with comparative figures as of 31 December 2018).*

### **Results of Operations**

#### **Material Changes to the Statement of Comprehensive Income for the year ended 31 December 2019 compared to the Statement of Comprehensive Income for the year ended 31 December 2018.**

Sales revenue for the period grew by 7.5% from P1,172.8 million in 2018 to P1,261.0 million in 2019. The increase is contributed by higher sales volume in raw material ingredients for animal feeds, industrial chemicals and the home care industries.

Cost of goods sold increased by P102.1 million or 13.0%, from P783.1 million in 2018 to P885.2 million in 2019. The increase in cost of goods is primarily due to increases in sales volumes as well as destination charges of imported raw materials, and depreciation of Philippine Peso currency against the US Dollar in the 2<sup>nd</sup> half of 2019. Meanwhile, the cost of services incurred in 2019 by the Group amounted to P2.4 million which was around the same level as that of 2018.

Gross profit declined by P13.9 million or 3.6% from P387.3 million in 2018 to P373.4 million in 2019. A combination of higher average import costs and a decline in service income contributed to the decrease in gross margin for the year.

Other operating expenses increased by 34.2 % or P65.0 million from P190.2 million in 2018 to P255.1 million in 2019. P8.3 million of the increase was due to a rise in taxes and licenses paid by the Company, while another P7.7 million was accounted for by an increase in the Company's various operational expenses. Meanwhile, the Company's subsidiary incurred a one-time expense of P23.8 million as filing fee on its increase in authorized capital stock and P22.8 million increase in organization expense as it ramped up its manpower and marketing activities. On the other hand, other operating income increased by P22.1 million from P15.4 million in 2018 to P37.5 million in 2019 due to increase in management services revenue generated by Company subsidiary, SBS Holdings.

Finance charges dropped slightly by P1.4 million from P136.4 million in 2018 to P135.0 million in 2019 with the stable interest rate on short term loans in 2019. Meanwhile, finance income declined by P10.8 million from P32.2 million in 2018 to P21.4 million in 2019. Consequently, the Group registered a net finance expense of P113.6 million in 2019 from P104.1 million in 2018.

In 2019, the Group's Equity investment registered a net loss of P19.8 million mainly due to the Group's share in the organization costs, interest payments, taxes and licenses of the associate companies. This compared to a net gain of P97.5 million in 2018 on the account of one-time gain contributed by an associate as a result of its disposal of an investment property.

The Company sold certain investment properties in 2019 resulting in gain on sale of investment properties amounted to P2.5 million compared to P1.0 gain achieved in 2018.

The Group's income tax expenses declined by P31.4 million from P31.3 million in 2018 to P0.07 million credit in 2019 due to losses incurred at Company's subsidiaries.

Consolidated net profit declined from P175.6 million in 2018 to P25.0 million in 2019 as a result of decrease in operating profit for the Group, and a loss incurred on investment in associates in 2019 compared to positive contribution of the investment in associates in 2018.

## **Material Changes to the Statement of Financial Position as at 31 December 2019 compared to the Statement of Financial Position as at 31 December 2018.**

### **Assets**

As at 31 December 2019, total assets reached P8,447.9 million, consisting of P 2,311.7 million in current assets and P6,136.2 million in non-current assets. As at 31 December 2018, the total assets registered P7,376.5 million consisting of P4,035.1 million in current assets and P3,341.4 million in non-current assets

Cash in banks decreased by 68.1% or P844.2 million from P1,239.8 million in 2018 to P395.6 million in 2019. For the period, total cash collection amounted to P2,375.6 million and was received from the following: P1,045.0 million cash from bank loan availment; P731.0 million proceeds from issuance of subsidiary shares; P244.7 million proceeds from redemption of investment securities; P193.1 million generated from operating activities; P139.2 million settlement from related party; P15.9 million interest earned on short term bank placements; and P6.7 million net proceeds from disposal of investment property. Against such collections, the cash disbursements or settlements made for the period totalled P3,219.8 million, comprised of the following: P1,319.8 million for various prepayment for investment and asset acquisition; P850.0 million in loan repayments; P842.6 million in investments in associates; P122.7 million as interest payments on short term and long term bank loans and secured bank trust receipts; P43.0 million for payment of lease liabilities; P34.1 million as payment for cash dividend; P4.2 million in unrealized foreign exchange loss; P1.9 million for acquisition of property and equipment; and P1.5 million for acquisition of computer software.

Trade and other receivables decreased by P109.3 million from P924.8 million in 2018 to P815.6 million in 2019.

The inventory level went down by P71.2 million or 6.6% from P1,075.6 million in 2018 to P1,004.3 million in 2019 as a result of higher sales volume on existing product range and at the same time build-up of inventory for the new product offering.

Prepayments and other current assets decreased by P698.7million to P96.2 million in 2019 from P794.9 million in 2018 as previous year prepayments are now part of the non-current assets of the Group. Meanwhile, other non-current assets in 2019 increased by P2,090.1 million to P2,869.0 million in 2019 from P778.9 million in 2018 on the account of deposits for asset acquisitions by the subsidiaries in relation to their respective purchases of certain investment properties which will be deducted from the total purchase price of these investment properties as well as deposits for future subscription made by the Group in certain affiliates that are yet to be completed or executed.

Investment in associates grew by P866.0 million or 68.9% from P1,257.0 million in 2018 to P2,123.0 million in 2019 as a result of additional new investments made in shares of associate companies made by the Group.

Property and equipment value decreased by P13.4 million to P92.6 million in 2018 from P106.0 million in 2018, mainly due to depreciation of the assets for the year.

In 2019, the Group adopted PFRS 16, Leases, which resulted in changes in the accounting of lease transactions. Prior to 2019, lease payments were treated as rent expense. Upon adoption of this standard, right-of-use assets are recognized in view of the right obtained by the Group to use the leased facilities. As of December 31, 2019, the carrying amount of right-of-use assets amounted to P93.1 million.

Investment properties decreased by P10.0 million to P934.9 million in 2019 from P944.9 million in 2018 due to Company subsidiary's depreciation charges on its investment property amounting to P5.8 million, and the Company disposal of investment asset with book value of P4.2 million.

Deferred tax asset increased by 129% or P13.3 million from P10.3 million in 2018 to P23.6 million in 2019. This was mainly due to deferred tax recorded by the subsidiary on account of net loss incurred for the year.

### **Liabilities**

The total liabilities as at 31 December 2019 amounted to P 2,770.1 million comprised of P1,780.9 million in current liabilities and P989.2 million in non-current liabilities. For 31 December 2018, the total liabilities was at P2,420.8 million comprised of P1,336.9 million in current liabilities and P1,083.8 million in non-current liabilities.

Current loans payable increased by 24.2% or P315.5 million from P1,302.3 million in 2018 to P1,617.8 million in 2019 due to availment of new short term bank loan net of payments, and the shift of long term bank loan to current loan for the portion of amortization due in the next 12 months.

A 5-year term loan of P2,000.0 million availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost has remaining non-current portion of P956.1 million.

Trade and other payables increased by P110.9 million to P138.3 million in 2019 from P27.4 million in 2018 mainly due to increase in trust receipts payable.

Lease liabilities amounting to P44.1 million, including current portion of P24.8 million, were recognized as of December 31, 2019 in relation to the adoption in 2019 of PFRS 16 representing the present value of future lease payments throughout the expected lease period.

There is no income tax payable outstanding for December 31, 2019 as compared to the income tax payable outstanding as of December 31, 2018 is P7.3 million.

Post-employment defined benefit obligation increased by 11.3% or P0.6 million from P5.6 million in 2018 to P6.3 million on the account of recognized re-measurements on deferred benefit obligation and related interest cost.

### **Total equity**

The total equity as at 31 December 2019 was P5,677.7 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,091.8 million in retained earnings gross of P2.5 million revaluation reserves and P795.6 million of non-controlling interest. For the period ended 31 December 2018, total equity was P4,955.7 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,107.2 million in retained earnings gross of P2.6 million revaluation reserves and P58.3 million of non-controlling interest.

Retained earnings decreased from P1,107.2 million in 2018 to P1,091.8 million in 2019. This is attributed to the net income of P25.0 million realized for the current period, gross of income by non-controlling interest of P6.2 million, and less the cash dividend distributed in the amount of P34.1 million.

### **Liquidity and Capital Resources**

#### *Net cash flows from operating activities*

The 2019 cash flows from operating activities resulted to a net inflow of P193.1 million. The cash receipts were mainly from operating profit, decrease in trade and other receivables, decrease in inventories and increase in trade and other payables, partially offset by prepayments and other assets.

#### *Net cash flows from investing activities*

The cash flow from investing activities resulted to a net cash outflow of P1,898.5 million. The cash balance decreased on account of the investments in shares of several associate companies, deposits for investments and asset acquisitions by the group, additional acquisition of equipment, partially offset by cash dividends received from HTM securities held and interest income earned from short term placement, and the net proceeds from disposal of investment properties and investment securities.

#### *Net cash flows used in financing activities*

The net cash flow from financing activities resulted in a net inflow of P865.4 million. The major inflows comprised of proceeds from issuance of shares by a subsidiary, bank loan availment and payment received from related parties while cash outflows was due to the settlement of bank loan, interest payment, payment of lease liabilities and cash dividend paid to shareholders in 2019.

The following discussions should be read in conjunction with the 2018 Audited Consolidated Financial Statements of the Company and its Subsidiaries as of and for the years ended 31 December 2018 (with comparative figures as of 31 December 2017).

### **Results of Operations**

#### **Material Changes to the Statement of Comprehensive Income for the year ended 31 December 2018 compared to the Statement of Comprehensive Income for the year ended 31 December 2017.**

Sales for the period grew by 6.6% from P1,100.3 million in 2017 to P1,172.8 million in 2018. The increase is contributed by higher volume sales and price increase in raw material ingredients for animal feeds, recovery of industrial chemical volume, and higher consultancy income of subsidiary.

The cost of goods sold increased by P32.7 million or 4.4%, from P750.4 million in 2017 to P783.1 million in 2018. The increase in cost of goods is primarily due to increase in volume sales and depreciation of Philippine Peso currency against the US Dollar in 2018 which is the main currency of transaction for imported chemical materials.

Meanwhile, the cost of services incurred in 2018 by the Group amounted to P2.4 million as compared to P3.2 million in 2017.

Gross profit increased by P40.6 million or 11.7% from P346.7 million in 2017 to P387.3 million in 2018. Combination of higher volume growth and lower import cost achieved in the 1<sup>st</sup> half of 2018 are the main drivers of improve gross margin for the year.

Other operating expenses increased by 17.1 % or P27.8 million from P162.4 million in 2017 to P190.2 million in 2018 of which P22.3 million are operating expenses incurred in Company's subsidiary, Lence Holdings, with its acquisition of a warehouse facility complex in 2018, and which were not part of the 2017 operating expenses of the Group. Meanwhile, other operating income increased by P9.9 million from P5.6 million in 2017 to P15.4 million in 2018 as a result of new management services provided by Company subsidiary, SBS Holdings, to the affiliate companies in line with the diversification plan of the Group.

Finance charges increased by P64.6 million from P71.8 million in 2017 to P136.4 million in 2018 on account of long term debt availment by the Group to partially finance its diversification program and increase in interest rates on trust receipts and short term loans for its working capital. Meanwhile, finance income declined by P2.4 million from P34.7 million in 2017 to P32.2 million in 2018. Consequently, the Group registered a net finance expense of P104.1 million in 2018 from P37.1 million in 2017.

In 2018, the Group's Equity in net gain of associates registered P97.5 million on the account of one-time gain contributed by an associate as a result of its disposal of an investment property in 2018. This compared to 2017 which incurred a net loss of P15.8 million mainly due to the investments in shares in eleven (11) associate companies, reflecting share in the organization costs, interest payments, taxes and licenses expense of the associate companies.

Also, the Company sold certain investment properties in 2018 resulting in gain on sale of investment properties amounted to P1.0 million. No similar transaction was recorded in 2017.

The income tax expenses declined by 12.2% or P4.4 million from P35.7 million in 2017 to P31.3 million in 2018 as a result of higher finance cost incurred by the Group for the year.

Net profit increased from P101.3 million in 2017 to P175.6 million in 2018 as a result of improved gross margin in the chemical distribution business and the positive contribution of equity in net income of associates, tapered off by the increased finance cost incurred for the year.

#### **Material Changes to the Statement of Financial Position as at 31 December 2018 compared to the Statement of Financial Position as at 31 December 2017.**

##### **Assets**

As at 31 December 2018, total assets reached P7,376.5 million, consisting of P4,035.1 million in current assets and P3,341.4 million in non-current assets. As at 31 December 2017, the total assets registered P7,377.7 million comprising of P5,449.8 million in current assets and P1, 927.8 million in non-current assets.

Cash in banks decreased by 47.6% or P1,128.3 million from P2,368.1 million in 2017 to P1,239.8 million in 2018. For the period, total cash collection amounted to P3,064.4 million and was received from the following: P1,300.0 million cash from bank loan availment; P1,677.7 million settlement from related party; P54.3 million proceeds from issuance of subsidiary shares; P28.3 million interest earned on short term bank placements; P3.1 million net proceeds from disposal of investment property; and P1.0 million as foreign exchange gains. Against such collections, the cash disbursements or settlements made for the period totalled P4,192.7 million, comprised of the following: P1,450.0 million in loan repayments; P775.0 million deposit made on behalf of an associate; P772.8 million for various prepayment for investment and asset acquisitions; P472.5 million used in operating activities; P320.3 million in acquisition of investment property; P136.8 million in investment in associates; P133.0 million as interest payments on short term and long term bank loans and secured bank trust receipts, ; P99.8 million for acquisition of property and equipment; P26.4 million as payment for cash dividend; and P6.1 million for acquisition of computer software.

Trade and other receivables decreased by P915.6 million from P1,840.4 million in 2017 to P924.8 million in 2018 after payment received by Company from an affiliate in 2018.

The inventory level went down by P1.95million or 0.2% from P1,077.5 million in 2017 to P1,075.6 million in 2018 as a result of higher sales volume on existing product range and at the same time build-up of inventory for the new product offering.

Prepayments and other current assets increased by P631.1 million to P794.9 million in 2018 from P163.8 million in 2017 on account of refundable deposit made by the Company to a certain related party in relation to a memorandum of agreement executed in 2018 which may be refunded upon the performance of certain conditions which is expected

to be within 12 months from the end of the reporting period; prepaid expenses, and input VAT credits. Meanwhile, other non-current assets in 2018 increased by P671.9 million to P778.9 million in 2018 from P107.0 million in 2017 on the account of deposits for asset acquisitions by the subsidiaries in relation to their respective purchases of certain investment properties which will be deducted from the total purchase price of these investment properties; and deposits for future subscription made by the Group in certain affiliates that are yet to be completed or executed.

Investment in associates grew by P341.4 million or 37.3% from P915.6 million in 2017 to P1,257.0 million in 2018 as a result of additional new investments made in shares of nine (9) associate companies and net equity gain of associates realized in 2018.

Property and equipment value increased by P84.8 million to P106.0 million in 2018 from P21.2 million in 2017, net of depreciation, due to the acquisition by Company subsidiary of investment property that includes warehouse facility and equipment.

Investment properties increased by 312.9 million to P944.9 million in 2018 from P632.0 million in 2017 with the acquisition by Company subsidiary of investment property amounting to P320.3 million, gross of the depreciation charges amounting to P5.3 million, and the Company disposal of investment asset with book value of P2.1 million.

Deferred tax asset increased by 41.6% or P3.0 million from P7.3 million in 2017 to P10.3 million in 2018. This was mainly due to deferred tax recorded by the subsidiary on account of net loss incurred for the year.

### **Liabilities**

The total liabilities as at 31 December 2018 amounted to P 2,420.8 million comprised of P1,336.9 million in current liabilities and P1,083.8 million in non-current liabilities. For 31 December 2017, the total liabilities was at P2,626.4 million comprised of P661.1 million in current liabilities and P1,965.3 million in non-current liabilities.

Current loans payable increased by 130.5% or P737.3 million from P565.0 million in 2017 to P1,302.3 million in 2018 due to availment of new short term bank loan net of payments, and the shift of long term bank loan to current loan for the portion of amortization due in the next 12 months.

A 5-year term loan of P2,000.0 million availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost has remaining non-current portion of P1,073.2 million.

Trade and other payables decreased by 69.2% or by P61.6 million to P27.4 million in 2018 from P89.0 million in 2017 mainly due to settlement of trust receipts payable.

Income tax payable outstanding as of December 31, 2018 is P7.3 million refers to the balance of the year income tax due for payment on 15 April 2019.

Post-employment defined benefit obligation has declined by 31.8% or P2.62 million from P8.25 million in 2017 to P5.63 million due to contributions paid by the Company and on the account of recognized re-measurements on deferred benefit obligation and related interest cost.

### **Total equity**

The total equity as at 31 December 2018 was P4,955.7 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,107.2 million in retained earnings gross of P2.6 million revaluation reserves and P58.3 million of non-controlling interest. For the period ended 31 December 2017, total equity was P4,751.3 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P956.3 million in retained earnings gross of P3.5 million revaluation reserves and P5.6 million of non-controlling interest.

Retained earnings increased from P956.3 million in 2017 to P1,107.2 million in 2018. This is attributed to the net income of P177.2 million realized for the current period, gross of non-controlling interest loss and less the cash dividend distributed in the amount of P26.4 million.

### **Liquidity and Capital Resources**

#### ***Net cash flows from operating activities***

The 2018 cash flows from operating activities resulted to a net outflow of P472.5 million. The cash receipts were mainly used for inventory purchases and refundable deposit in relation to a memorandum of agreement executed in 2018.

### ***Net cash flows from investing activities***

The cash flow from investing activities resulted to a net cash outflow of P1,304.4 million. The cash balance decreased on account of the investments in shares of several associate companies, acquisition of investment properties by a subsidiary, deposits for investments and asset acquisitions by the subsidiaries, additional acquisition of equipment, partially offset by cash dividends received from HTM securities held and interest income earned from short term placement, and the net proceeds from disposal of investment properties.

### ***Net cash flows used in financing activities***

The net cash flow from financing activities resulted in a net inflow of P647.6 million. The major inflows comprises of bank loan availment, payment received from related parties and proceeds from issuance of shares by a subsidiary while cash outflows was due to the settlement of bank loan, and interest payments.

*The following discussions should be read in conjunction with the 2017 Consolidated Audited Financial Statements of the Company and its Subsidiary as of and for the years ended 31 December 2017 (with comparative figures as of 31 December 2016).*

## **Results of Operations**

### **Material Changes to the Consolidated Statement of Comprehensive Income for the year ended 31 December 2017 compared to the Statement of Comprehensive Income for the year ended 31 December 2016.**

Sales for the period grew by 9.8% from P1,002.1 million in 2016 to P1,100.3 million in 2017. The increase is contributed by higher volume sales and price increase in raw material ingredients for animal feeds, as well as revenue from consultancy services provided by the Group mainly through its subsidiary, SBS Holdings.

The cost of goods sold decreased by P43.5 million or 5.5%, from P793.9 million in 2016 to P750.4 million in 2017. The lower cost of goods is primarily due to lower import prices at the beginning of 2017 and changes in product mix in 2017 compared to 2016. Meanwhile, the cost of services incurred by the Group in 2017 amounted to P3.2 million. No similar cost of service is incurred in 2016.

Gross profit increased by P138.5 million or 66.5% from P208.2 million in 2016 to P346.7 million in 2017. Combination of price increases implemented in 4<sup>th</sup> quarter, recovery of the industrial market segment and mining activities during the 2<sup>nd</sup> half of 2017, and company's restructuring of the low margin products, and the consultancy services all contributed to the increase of gross profit in 2017.

Other operating expenses increased by 31.9% or P39.3 million from P123.1 million in 2016 to P162.4 million in 2017 due to higher warehouse rental costs and certain one-off cost incurred in order to give effect to the diversification program and the organization, funding and capitalization of the Company's subsidiary, SHEC, and Rights Offer project related expenses. These one-off cost which totalled to P21.4 million in 2017 includes the SEC filing fees and documentary stamp tax in connection with the increase in authorized capital stock of SBS Holdings, and its initial organizational cost. Other operating income decreased by 96.6% or P106.4 million in 2017 as a result of the discontinuation of previous income-generating lease arrangements on account of changes in business requirement of the contracting parties.

Finance charges increased by P40.2 million on account of long term debt availment by the Company to partially finance its diversification program. From net finance income of P 4.9 million in 2016, the Group registered a net finance expense of P35.4 million in 2017. Equity in net losses of an associate increased by 3.9X or P11.8 million from P4.0 million in 2016 to P15.8 million in 2017. In 2017, the Group made investments in shares in eleven (11) associate companies, reflecting share in the organization costs, interest payments, taxes and licenses expense of the associate companies.

The income tax expenses declined by 17.6% or P7.6 million from P43.3 million in 2016 to P35.7 million in 2017 due to lower operating profit and higher net finance charges incurred for the year.

Net profit decreased from P1,011.5 million in 2016 to P101.3 million in 2017 due to absence of the one-off gain of P858.7 million realized from the sale of certain of the Company's investment assets reflected in 2016 and increase in net finance charges incurred to support its diversification program.

### **Material Changes to the Consolidated Statement of Financial Position as at 31 December 2017 compared to the Statement of Financial Position as at 31 December 2016.**

#### **Assets**

As at 31 December 2017, total assets reached P7,377.7 million, consisting of P5,556.8 million in current assets and P1,820.8 million in non-current assets. As at 31 December 2016, the total assets registered P3,990.6 million comprising of P2,941.0 million in current assets and P1,049.7 million in non-current assets.

Cash in banks increased by 71.2% or P985.0 million from P1,383.1 million in 2016 to P2,368.1 million in 2017. For the period, total cash collection amounted to P3,982.8 million and was received from the following: P2,340.0 million cash from bank loan availment; P1,409.3 million net cash from proceeds from issuance of new shares; P201.2 million net cash received from disposal of treasury shares; Php 17.5 million interest earned on short term bank placements; P10.2 million cash dividends received from HTM investment; and P4.6 million as foreign exchange gains. Against such collections, the cash disbursements or settlements made for the period totalled P2,997.8 million, comprised of the following: P1,677.7 million due from associate; P783.5 million in additional investment in associates; P287.5 million in loan repayments; P168.9 million from buy back of shares; P69.4 million as interest payments on short term and long term bank loans and secured bank trust receipts; P6.1 million for the acquisition of property and equipment; and P4.7 million net cash utilization in operating activities.

Trade and other receivables increased by P1,741.4 million from P99.0 million in 2016 to P1,840.4 million in 2017 primarily due advance deposit made by the Parent Company for the purchase of certain property where the transaction is yet to be completed.

The inventory level went down by P235.6 million or 17.9% from P1,313.1 million in 2016 to P1,077.5 million in 2017 as a result of higher sales volume and cutback in product importations due to continued volatility in foreign currency exchange rates.

Prepayments and other current assets increased by P125.0 million or 85.8% to P270.8 million in 2017 from P145.7 million in 2016 on account of deposit for subscription of shares made by Subsidiary for several associate companies, prepaid rental made in 2017 net of the of the application of input VAT credits.

Investment in associates grew by P767.6 million or 5.2x from P148.0 million in 2016 to P915.6 million as a result of additional new investments made in shares of eleven (11) associate companies net of share in equity losses.

Property and equipment values increased by P0.8 million or 3.8% to P21.2 million in 2017 from P20.4 million in 2016 due to the acquisition of new transport and office equipment in the amount of P6.1 million net of P5.3 million additional depreciation expense during the period.

Investment properties remain the same in 2017 as with 2016 in the amount of P632.0 million.

Deferred tax asset increased by 60.5% or P2.7 million from P4.5 million in 2016 to P7.3 million in 2017. This was attributable to the tax implication on the decrease of inventory allowance and advance rental net of the increase on the following accounts: actuarial loss on retirement plan; equity losses of associates; retirement benefit obligation; and unrealized foreign currency gains.

## **Liabilities**

The total liabilities as at 31 December 2017 amounted to P2,626.4 million comprised of P661.1 million in current liabilities and P1,965.3 million in non-current liabilities. For 31 December 2016, the total liabilities were at P782.8 million comprised of P774.6 million in current liabilities and P8.2 million in non-current liabilities.

Current loans payable increased by 13.4% or P62.5 million from P467.5 million in 2016 to P565.0 million in 2017 due to availment of new short term bank loan net of payments.

A 5-year term loan of P2,000.0 million was availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost.

Trade and other payables decreased by 71.0% or by P218.1 million to P89.0 million in 2017 from P307.1 million in 2016 mainly due to settlement of trust receipts payable and decrease in accrued expenses.

Income tax payable outstanding as of December 31, 2017 is P7.1 million refers to the balance of the year income tax due for payment on 15 April 2018.

Post-employment defined benefit obligation has an accumulation of 1.1% or P0.09 million from P8.16 million in 2016 to P8.25 million in 2017 on account of a recognized re-measurements on deferred benefit obligation and related interest cost.

## Total equity

The total equity as at 31 December 2017 was P4,751.3 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P956.3 million in retained earnings, gross of P3.5 million revaluation reserves and P5.6 million non-controlling interest in a subsidiary. For the period ended 31 December 2016, total equity was P3,207.9 million, comprising of P1,200.0 million in capital stock, P898.4 million in additional paid in capital stock, P1,143.5 million in retained earnings, gross of P4.0 million revaluation reserves and net of P30.0 million in treasury shares.

The Capital stock increased 29.2% or P350.0 million from P1,200 million in 2016 to P1,550.0 million in 2017. This is attributed to new shares issued through stock dividend in 2017 amounting to 48.0 million shares and the Stock Rights Offering completed in 2017 amounting to 302.0 million shares. Consequently, the Additional paid-in capital increased from P898.4 million in 2016 to P2,242.8 million in 2017 of which P240.5 million due to the stock dividend, P2.3 million from reissuance of treasury shares and P1,101.6 million coming from the Stock Rights Offering.

Retained earnings decreased from P1,143.5 million in 2016 to P956.3 million in 2017. This is attributed to the net income of P101.3 million realized for the current period less the stock dividend distributed in the amount of P288.5 million.

## Liquidity and Capital Resources

### *Net cash flows from operating activities*

The 2017 cash flows from operating activities resulted to a net outflow of P4.7 million. The cash receipts were mainly used for inventory purchases and payment for operational cost.

### *Net cash flows from investing activities*

The cash flow from investing activities resulted to a net cash outflow of P761.8 million. The cash balance decreased on account of the investments in shares of several associate companies, additional acquisition of equipment, partially offset by cash dividends received from HTM securities held, and interest income earned from short term.

### *Net cash flows used in financing activities*

The net cash flow from financing activities resulted in a net inflow of P1,746.9 million. The major inflows comprises of bank loan availment, proceeds of issuance of new shares and disposal of treasury shares while cash outflows was due to the settlement of short term loan, deposit for an acquisition made by an associate, acquisition of treasury shares and interest payments.

## Key Performance Indicators

### SBS Philippines Corporation and Subsidiaries

#### Schedule of Financial Indicators for December 31, 2019, 2018 and 2017

	2019	2018	2017
<b>Liquidity Ratio <sup>1</sup></b>	<b>129.8%</b>	301.8%	824.3%
<b>Debt to Equity Ratio <sup>2</sup></b>	<b>48.8%</b>	48.8%	55.3%
<b>Asset to Equity Ratio <sup>3</sup></b>	<b>148.8%</b>	148.8%	155.3%
<b>Return on Assets <sup>4</sup></b>	<b>0.3%</b>	2.4%	1.8%
<b>Return on Equity <sup>5</sup></b>	<b>0.4%</b>	3.6%	2.5%
<b>Cost to Income Ratio <sup>6</sup></b>	<b>20.2%</b>	16.2%	14.8%
<b>Earnings per Share <sup>7</sup></b>	<b>PHP 0.01</b>	PHP 0.11	PHP 0.08

<sup>1/</sup> Current Assets over Current Liabilities

<sup>2/</sup> Total Liabilities over Equity



<sup>3/</sup> Total Assets over Equity

<sup>4/</sup> Net Income over Average Assets

<sup>5/</sup> Net Income over Average Equity

<sup>6/</sup> Cost and Expenses over Revenues

<sup>7/</sup> Net Income over Weighted Average Number of Common Outstanding Shares

**Key Performance Indicators (30 June 2020 versus 30 June 2019)**

	<b>2020</b>	<b>2019</b>
<b>Liquidity Ratio <sup>1</sup></b>	<b>111.6%</b>	<b>684.1%</b>
<b>Debt to Equity Ratio <sup>2</sup></b>	<b>48.9%</b>	<b>35.9%</b>
<b>Asset to Equity Ratio <sup>3</sup></b>	<b>148.9%</b>	<b>135.9%</b>
<b>Return on Assets <sup>4</sup></b>	<b>- 0.2%</b>	<b>0.2%</b>
<b>Return on Equity <sup>5</sup></b>	<b>- 0.3%</b>	<b>0.3%</b>
<b>Cost to Income Ratio <sup>6</sup></b>	<b>18.3%</b>	<b>16.1%</b>
<b>Interest Cost Coverage Ratio <sup>7</sup></b>	<b>87.2%</b>	<b>144.9%</b>
<b>Earnings per Share <sup>8</sup></b>	<b>(PHP 0.001)</b>	<b>PHP 0.009</b>

<sup>1/</sup> Current Assets over Current Liabilities

<sup>2/</sup> Total Liabilities over Equity

<sup>3/</sup> Total Assets over Equity

<sup>4/</sup> Net Income over Average Assets

<sup>5/</sup> Net Income over Average Equity

<sup>6/</sup> Cost and Expenses over Revenues

<sup>7/</sup> EBIT over Interest Expense

<sup>8/</sup> Net Income over Weighted Average Number of Common Outstanding Shares

#### **Other qualitative and quantitative factors**

**(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.**

In light of the enhanced community quarantine (ECQ and mECQ) implemented in Luzon from March 17, 2020 until May 31, 2020, the Company had experienced a decline in sales revenue during the said period. There has been sales improvement during the general community quarantine period from June 1, 2020 until August 3. However, the mECQ period implemented again in Metro Manila, Bulacan, Rizal, Cavite and Laguna from August 4 to 18, 2020 may further slowdown the business activities of our customers in the said areas. Based on the risk assessment of the scenarios analyzed by the Company, the projection showed that the Company has liquidity to cope with the current crisis. Nevertheless, the extent of business impact on the Covid-19 pandemic is not yet fully understood at this time, and the Company estimates are based only on the parameters of the scenarios that it has considered in its analysis. At of this date, the Company is not in default of any financial obligations. The Company has complied with the existing loan covenants and restrictions as of 30 June 2020.

**(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:**

None

**(iii) Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:**

None

**(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures**

None

**(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations**

The Company experienced a significant slowdown in sales revenue as a result of the ECQ and mECQ implemented Luzon wide from March 17, 2020 and this weak demand is expected to continue until the Covid-19 problem is resolved or controlled. The customer activities and raw material demand had improved during the general community quarantine period from beginning of June but is still lower than pre-COVID 19 period and will be assessed on monthly basis. The recently implemented mECQ from August 4 to 18, 2020 in Metro Manila, Bulacan, Rizal, Cavite and Laguna areas may weaken further the sales generated from operations as some of the Company's customers has to stop or decrease its operation activities during this period. While the disruption is currently considered to be temporary, management anticipates the prolonged disruption of businesses could negatively impact the Group's financial condition and operations – specifically in its distribution channels.

Further, management is yet to assess possible obsolescence of its inventories, but will make the assessment moving forward in consideration of circumstances at present and in the foreseeable future. Also as a result of the "new normal" work process, the Company incurred higher operating expense to implement as safe and healthy work place environment. It is also affected with the delay in clearing of its imported cargos from the Manila port due to slower clearing procedures at the port by the different agencies and stakeholders. This has increased the logistic cost and is expected to negatively impact the profitability of the products in the 2<sup>nd</sup> half of 2020.

**(vi) Any significant elements of income or loss that did not arise from continuing operations**

None

**(vii) Causes for any material change from period to period**

Please refer to the discussions provided on the material changes in the results of operations, comprehensive income and financial position under the management's discussion and analysis of financial conditions and results of operations stated in the preceding pages.

**(viii) Seasonal aspects that had material effect on the financial condition or results of operations**

For some end markets served by the Company, there is a pronounced cyclicity in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicity creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicity of specific industries.

**(a) Market price of and dividends**

**(i) Market Information**

The Company was admitted to the Main Board of the Philippine Stock Exchange on 10 August 2015 and its shares listed and traded on the Philippines Stock Exchange (PSE).

The following are the high and low sales prices for the Company's Common Shares SBS for the following quarterly periods:

	<b>2017*</b>		<b>2018</b>		<b>2019</b>		<b>2020</b>	
(In ₱)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Low	5.34	5.40	5.44	6.60	7.68	6.60	7.41	8.51
High	5.90	6.34	11.80	9.62	8.70	8.00	9.03	9.70

*\*Adjusted to account for stock dividends and stock rights offering*

*Source: Philippine Stock Exchange*

The closing price as of August 7, 2020, being the Latest Practicable Trading Date, is P4.74.

**(ii) Holders**

**As of 5 August 2020, the total number of registered stockholders based on the records of the Company's Stock and Transfer Agent is seven (7), with the shares held in the name of PCD nominee corporation belonging to 102 PDTC participants.**

**As of 5 August 2020, the following are the top 20 shareholders of the Company:**

<b>Name</b>	<b>Number of Shares Subscribed</b>	<b>% of Ownership To Total Issued Shares</b>
1. BDO SECURITIES CORPORATION <i>c/o PCD Nominee Corporation</i>	1,018,796,638	65.73%
2. ABACUS SECURITIES CORPORATION <i>c/o PCD Nominee Corporation</i>	404,858,592	26.12%
3. EVERGREEN STOCK BROKERAGE & SECURITIES <i>c/o PCD Nominee Corporation</i>	58,541,435	3.78%
4. TIMSON SECURITIES, INC. <i>c/o PCD Nominee Corporation</i>	27,442,013	1.77%
5. WEALTH SECURITIES, INC <i>c/o PCD Nominee Corporation</i>	8,675,942	0.56%

6. IGC SECURITIES INC. <i>c/o PCD Nominee Corporation</i>	6,499,651	0.42%
7. COL FINANCIAL GROUP, INC. <i>c/o PCD Nominee Corporation</i>	5,172,315	0.33%
8. HDI SECURITIES, INC <i>c/o PCD Nominee Corporation</i>	1,849,186	0.12%
9. MAYBANK ATM KIM ENG SECURITIES, INC. <i>c/o PCD Nominee Corporation</i>	1,669,477	0.11%
10. THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP. <i>c/o PCD Nominee Corporation</i>	1,646,349	0.11%
11. BPI SECURITIES, INC. <i>c/o PCD Nominee Corporation</i>	1,626,326	0.10%
12. TRITON SECURITIES CORP. <i>c/o PCD Nominee Corporation</i>	1,507,839	0.10%
13. GLOBALINKS SECURITIES & STOCKS, INC. <i>c/o PCD Nominee Corporation</i>	1,122,560	0.07%
14. CHINA BANK SECURITIES CORPORATION <i>c/o PCD Nominee Corporation</i>	1,033,358	0.07%
15. FIRST METRO SECURITIES BROKERAGE CORP <i>c/o PCD Nominee Corporation</i>	869,118	0.06%
16. A & A SECURITIES INC. <i>c/o PCD Nominee Corporation</i>	720,920	0.05%
17. DEUTSCHE BANK MANILA-CLIENTS A/C <i>c/o PCD Nominee Corporation</i>	601,900	0.04%
18. R.S. LIM & CO., INC. <i>c/o PCD Nominee Corporation</i>	514,400	0.03%
19. SOLAR SECURITIES, INC <i>c/o PCD Nominee Corporation</i>	476,931	0.03%
20. E. CHUA CHIACO SECURITIES INC. <i>c/o PCD Nominee Corporation</i>	384,784	0.02%

*This includes the 1,014,852,295 shares beneficially owned by the Company's parent company, Anesys Holdings Corporation.*

(iii) Dividends

The table below sets forth the dividend history of the Company:

Year	Record Date	Payment Date	Type	Dividend Rate
2014	29 December 2014	25 March 15	Cash	P0.622 per share
2015	05 March 2015	28 April 2015	Cash	P0.128 per share
2016	01 June 2016	22 June 2016	Cash	P0.037 per share
2017	29 June 2017	17 July 2017	Stock	4% stock dividend
2018	01 June 2018	22 June 2018	Cash	P0.017 per share
2019	10 May 2019	22 May 2019	Cash	P0.022 per share

**Dividend Policy**

The Company adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors, dividends equivalent to approximately twenty percent (20%) of the prior year's net income after tax based on the Company's audited financial statements as of such year, subject to the availability of the unrestricted retained earnings and except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.

## Recent Sales of Unregistered or Exempt Securities

On 18 November 2014, the Company issued 250,000,000 Common Shares to the following subscribers as part of the increase in its authorized capital stock:

Name	No. of Shares	Amount paid up (P)
Anesy Holdings Corporation <sup>1</sup>	245,000,000	80,000,000 <sup>1</sup>
Necisto U. Sytengco	3,850,000	3,850,000
Aylene Y. Sytengco	1,100,000	1,100,000
Edwin R. Abella	25,000	25,000
Ricardo Nicanor N. Jacinto	25,000	25,000
<b>Total</b>	<b>250,000,000</b>	<b>85,000,000</b>

<sup>1</sup>Anesy Holdings Corporation fully paid the P165,000,000 subscription balance on 23 March 2015.

On 18 December 2014, the Company further increased its authorized capital stock to P1,550,000,000.00 divided into 1,550,000,000 common shares with a par value of P1.00 per share. Anesy Holdings Corporation subscribed to and fully paid 155,000,000 Shares equivalent to P155,000,000.00.

On 5 March 2015, Anesy Holdings Corporation subscribed to an additional 353,000,000 Common Shares which it fully paid by virtue of the conversion of its P350,000,000.00 advances as of 31 December 2014 into Common Shares of the Company and the balance paid in cash by Anesy Holdings to the Company.

The foregoing additional issuances of the Common Shares are exempt transactions under Sections 10.1 (e), and 10.1(i) of the SRC and do not require any written confirmation of exemption from the SEC

On 9 June 2017 the Company's shareholders approved the declaration of stock dividends to be payable at the rate of one (1) common share for every twenty five (25) common shares owned by stockholders as of record date (or approximately up to 47,999,999 Common Shares) which were distributed on 17 July 2017. The issuance of the stock dividends is an exempt transaction under Section 10.1(d) of the Securities Regulation Code, as amended, or distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus. The additional issuance of shares for the stock dividends does not require any written confirmation of exemption from the SEC.

In December 2017, the Company offered for subscription (the "Offer") up to 302,000,000 common shares (the "Rights Shares" or "Offer Shares") by way of a rights offering ("SRO" or the "Offer") to existing holders of common shares of Company as of November 22, 2017 (the "Record Date") at the proportion One (1) Share of common share for every 4.1325 common shares held as of the Record Date at an offer price of P4.67 per Rights Share. On December 12, 2017, the Company has successfully completed its stock rights offering ("Offer") with a total of 302,000,000 Rights Shares having been subscribed which shares were issued and listed on December 22, 2017. In connection with the Offer, a Request for Confirmation of Exemption was filed by Company on 18 July 2017 with the Securities and Exchange Commission ("SEC") based on Section 10.1 (e) of the Securities Regulation Code. On 25 September 2017, the SEC approved the Company's Request for Confirmation of Exemption, confirming that the Offer is exempt from the registration requirements of the SRC.

## Corporate governance

The trust of our shareholders and other stakeholders is fundamental to our business and is the source of the success and growth of the Company. We are committed to preserving this relationship of trust by promoting a strong corporate governance culture in the Company that is anchored on transparency, competent leadership, effective internal controls, and prudent risk management.

For the year under review, we are pleased to report that our corporate governance practices are consistent with the requirements under the Revised Code of Corporate Governance for Publicly Listed Companies issued by the Securities and Exchange Commission pursuant to SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 8, Series of 2017.

On May 22, 2019 the Board of Directors approved its Revised Manual of Corporate Governance ("CG Manual") with effectivity from May 30, 2019. The Revised CG Manual serves to supplement the Articles and By-Laws of the Company in providing standards of governance in the performance of the duties and responsibilities of the Board of Directors, Management and employees to shareholders of the Company and other stakeholders. The Company's corporate governance report is summarized in the Integrated Annual Corporate Governance Report of the Company, a copy of which is available at <http://www.sbsp.com/disclosure-filings/corporate-governance/annual-corporate-governance-reports/>

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There are no matters or actions to be taken up at this year's annual stockholders' meeting with respect to a merger, consolidation, sale or liquidation of the Company.

**Item 13. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Company requiring stockholders' approval under the Corporation Code except for the sale of the Avida Condo Units and parking which was approved by the Board and to be ratified by the shareholders as part of Agenda Number 6.

**Item 14. Restatement of Accounts**

There are no actions of matters to be taken up at this year's annual stockholders' meeting, which involves a restatement of any of the assets, capital or surplus account of the Company.

**Item 15. Action with Respect to Reports**

The following reports and minutes of meetings will be submitted for approval by the stockholders in the Annual Stockholders' Meeting scheduled on September 17, 2020:

- (a) Minutes of the annual meeting of the stockholders of the Company held on 22 May 2019;

The minutes of Annual Stockholders' Meeting ("ASM") held on 22 May 2019 are posted on the Company's website, [www.sbsph.com](http://www.sbsph.com) and will be made available to the shareholders on the day of the annual meeting. Essentially, the May 22, 2019 ASM minutes provide for the following:

- (i) Approval of Minutes of the Previous Meeting;
  - (ii) Approval of Annual Report of Management to the Shareholders and Approval of the Financial Statements as of December 31, 2018;
  - (iii) Ratification of all lawful resolutions, contracts and acts made or entered into by the Board of Directors, the Executive Committee and other Board Committees as well as all acts of Management taken or adopted since the Annual Stockholders Meeting (ASM) held on June 22, 2018 until May 22, 2019, date of the 2019 ASM meeting;
  - (iv) Re-election of Punongbayan & Araullo as the Company's external auditor;
  - (v) Election of the members of the Board of Directors, including independent directors;
- (b) 2019 Annual Report by Management to the Stockholders together with the Audited Financial Statements for the twelvemonth period ended 31 December 2019 which reports cover the performance of the Company in FY 2019 and its outlook for FY 2020.

**Item 16. Other proposed actions**

The following matters are to be proposed for approval at this year's annual shareholders' meeting:

- (a) Ratification of all acts and resolutions of the Board and management to implement the resolutions since the annual stockholders' meeting on May 22, 2019 until this year's annual stockholders' meeting on September 17, 2020 involving:
  - i. Setting of ASM;
  - ii. Approval and Implementation of the Revised Manual of Corporate Governance;
  - iii. Approval and Implementation of the Revised Related Party Transactions Policy;
  - iv. Approval of the 2019 AFS;
  - v. Approval of the 2019 Annual Report SEC 17-A and Sustainability Report Annex A
  - vi. Lease Agreement with Canon Philippines Holdings Corporation;
  - vii. Lease Agreements with Aneco Philippines Holdings Corporation;
  - viii. Lease Agreement with Everfield Holdings Corporation;
  - ix. Lease Agreements with Icare Holdings Corporation;

- x. Amendment of authorized PSE EDGE Users;
- xi. Approval of the Date, Venue, and agenda of the ASM;
- xii. Additional subscription to the subsidiary, SBS Holdings and Enterprises Corporation;
- xiii. Additional subscription to its associate company, AYSCHESTER;
- xiv. Subscription of shares to associate companies, GOLDCHESTER and SMYTE;
- xv. Sale of Avida Asten Condominium units and parking;
- xvi. Approval to offer for sale one of its investment property;
- xvii. Approval of the 2<sup>nd</sup> Quarter 2019 Report;
- xviii. Subscription of shares in various SBS associates;
- xix. Approval of the 3<sup>rd</sup> Quarter 2019 Report;
- xx. Ratification of EXECOM acts;
- xxi. Approval of the 1<sup>st</sup> quarter 2020 Report;
- xxii. Approval of the Revised Executive Committee Charter;
- xxiii. Approval of the 2019 I-ACGR Report;
- xxiv. Approval of the 2<sup>nd</sup> quarter 2020 Report

**Item 17. Amendment of Charter, Bylaws or Other Documents**

On August 5, 2020, the Board of Directors of the Corporation has approved and endorsed for approval of the stockholders the amendments to the following sections of the By-laws to comply with the applicable provisions of the Revised Corporation Code of the Philippines, to wit:

**Article II, Section 3**

**Section 3.** Place of Meeting - Stockholders meetings, whether regular or special, shall be held at the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

**Any meeting of the stockholders may be held by means of telephone, video conferencing, or similar communications equipment whereby all persons participating in the meeting can hear each other, and such participation shall constitute presence at the meeting.**

**Article II, Section 4**

**Section 4.** Notice of Meeting - Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery, or by mail or by facsimile or by email or any digital communication, **or such other manner as the Securities and Exchange Commission (Commission) shall allow under its guidelines**, at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

**Article II, Section 5**

**Section 5.** Quorum - Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

**Stockholders casting their votes in absentia, as may be provided for by the Board of Directors, shall also be deemed present for purposes of determining the existence of a quorum. Meetings of the stockholders may be conducted via remote communication, such as by teleconferencing or videoconferencing, subject to such guidelines as may be promulgated by the Securities and Exchange Commission.**

## **Article II, Section 6**

**Section 6.** Conduct of Meeting - Meeting of the stockholders shall be presided over by the Chairman, or in his absence, by the President or in the absence of the Chairman and the President by a chairman to be chosen by the stockholders. The Secretary shall act as Secretary of every meeting, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

**Stockholders may participate and vote in a meeting through remote communications, such as videoconferencing, teleconferencing, or other alternative modes of communication as provided in the Corporation's internal procedures. A stockholder who, itself or by proxy, participates and/or votes through remote communication or in absentia shall be deemed present for purposes of quorum.**

## **Article II, Section 7**

**Section 7.** Manner of Voting – At all meetings of stockholders, a stockholder may vote in person, or by proxy, **or via remote communication or in absentia, electronically or otherwise, as may be provided for by the Board of Directors.** Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

## **Article III, Section 4**

**Section 4.** Meetings-Regular meetings of the Board of Directors shall be held once a month on such dates and at places as the Chairman of the Board, or in his absence, by the President, or upon the request of a majority of the Directors.

**Director/s who cannot physically attend or vote at any Board meeting may participate and vote through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication, as provided in the Corporation's internal procedures. Directors cannot attend or vote by proxy at Board meetings. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

## **Article III, Section 5**

**Section 5.** Notice - Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, facsimile or **by messengerial services, through electronic mail, or such other manner as the Commission shall allow under its guidelines,** A director may waive this requirement, either expressly or impliedly.

## **Article III, Section 6**

**Section 6.** Quorum - A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

**A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

## **Article III, Section 7**

**Section 7.** Conduct of the Meetings - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by the President or in his absence, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting



**Director/s who cannot physically attend or vote at any Board meeting may participate and vote through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication, as provided in the Corporation's internal procedures. Directors cannot attend or vote by proxy at Board meetings. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.**

**Item 18. Voting Procedures**

Except in cases where a higher vote is required under the Revised Corporation Code, the approval of any corporate action shall require the majority vote of all the stockholders present in the meeting, if constituting a quorum.

On the election of the member of the Board of Directors, the nominees receiving the highest number of votes shall be declared elected under Section 23 of the Revised Corporation Code of the Philippines and as provided for in Item 4 hereof. Likewise, the nominee for external auditor with the highest number of votes shall be declared elected as such.

The method by which the votes of security holders will be counted is in accordance with the general provisions of the Revised Corporation Code of the Philippines. The counting of votes will be done by the Corporate Secretary with the assistance of his staff and the Corporation's stock and transfer agent. In addition, shareholders who are unable to attend the meeting may choose to execute a proxy form or vote electronically in absentia using the link [https://agm.conveneagm.com/sbs\\_agm2020](https://agm.conveneagm.com/sbs_agm2020). The requirements and procedures for voting in absentia and participation in the Annual Stockholders' Meeting through remote communication are set forth under Annex "C" of this Information Statement.

Stockholders who opt to vote by proxy on manually filled ballots must submit and address their proxy to the attention of the Corporate Secretary at 8th Floor, Chatham House Bldg., Valero corner Rufino Sts., Salcedo Village, Makati City or via e-mail at [pacisreyes@pacisreyes.com](mailto:pacisreyes@pacisreyes.com) not later than 5:00 p.m. on or before September 7, 2020.

Stockholders may view the Notice and Agenda, Proxy Form, Definitive Information Statement, SEC Form 17-A (2019 Annual Report), SEC Form 17-Q (2nd Quarter Report of 2020) and other pertinent documents related to SBS' Annual Stockholders' Meeting at link [https://agm.conveneagm.com/sbs\\_agm2020](https://agm.conveneagm.com/sbs_agm2020); [www.sbsp.com](http://www.sbsp.com) and via the PSE Electronic Disclosure Generation Technology (PSE EDGE) portal at <https://edge.pse.com.ph>.

#### **UNDERTAKING**

**UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER WITH A COPY OF THE COMPANY'S ANNUAL REPORT (SEC FORM 17-A) FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF THE ANNUAL REPORT SHALL BE ADDRESSED AS FOLLOWS:**

**ATTENTION : ATTY. JOSE FIDEL R. ACUÑA  
CORPORATE INFORMATION OFFICER**

**SBS PHILIPPINES CORPORATION  
10 RESTHAVEN ST., SFD, QUEZON CITY 1105**

#### **SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City August 10, 2020.

By:

  
**CHRISTINE P. BASE**  
Corporate Secretary

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Helen T. De Guzman**, Filipino, of legal age and a resident of U512 Hudson, Riverfront Residences Condominium, Caniogan, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SBS Philippines Corporation and have been its independent director since May 22, 2019.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Peace & Equity Foundation	Audit Committee Advisor	November 2018 to present
Meralco Employees Savings & Loan Association	Board of Trustee	May 2019 to present
Institute of Corporate Directors	Teaching Fellow	2016 to present
Institute of Internal Auditors Philippines	Governance Committee Chairperson	Since January 2020 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SBS Philippines Corporation, as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of SBS Philippines Corporation and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director / Officer / Substantial Shareholder	Company	Nature of Relationship
NONE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged / Investigated	Tribunal or Agency Involved	Status
NONE		

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director of the Securities Regulation Code and its Implementing Rules and Regulations Code of Corporate Governances and other SEC issuances.
7. I shall inform the Corporate Secretary of SBS Philippines Corporation CORPORATION of any changes in the abovementioned information within five (5) days from its occurrence.

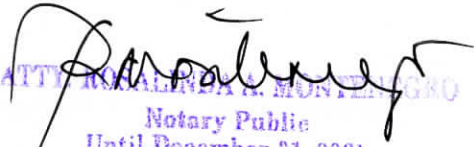
Done this 16 JUL 2020, at Q.C., Philippines.

  
**HELEN T. DE GUZMAN**  
Affiant

16 JUL 2020

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ at Q.C., affiant personally appeared before me and exhibited to me her Philippine Passport No. P6347226A issued on 09 March 2018 valid until 08 March 2028.

Doc. No. 487;  
Page No. 8;  
Book No. 44;  
Series of 2020.

  
**ATTY. RONALDO S. MONTENEGRO**  
Notary Public  
Until December 31, 2021  
PTR No.: 9296584 - 1/02/2020 - QC  
IBP No. AR30027671 - 1/02/2020  
Roll No. 68465  
ADM MATTER NO. NP. 024 (2020-2024)  
MCLE Compliance No. VI-0053-rt  
Unit: 312 Acre Bldg., 137 Malakas St.,  
Brgy. Central, Quezon City

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **GEOCEL D. OLANDAY**, Filipino, of legal age and a resident of 12 Padilla St., Pacific Malayan Village Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **SBS Philippines Corporation** and have been its independent director since **June 22, 2018**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Star 8 Green Tech (PH) Ltd. HK	Director	May 2017 to Date
Amaris Global LTD (HK) Advisory Services	CEO & Chief Advisor	Jun 2006 to Date
iHome Foundation	Trustee	Feb 2019 to Date
Institute of Corporate Directors	Teaching Fellow	May 2013 to Date

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SBS Philippines Corporation, as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of SBS Philippines Corporation and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director of the Securities Regulation Code and its Implementing Rules and Regulations Code of Corporate Governances and other SEC issuances.
7. I shall inform the Corporate Secretary of **SBS Philippines Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 16 JUL 2020, at E. C., Philippines.

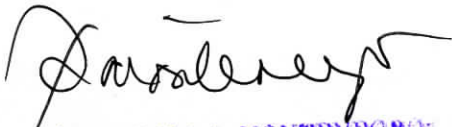
  
**GEOCEL D. OLANDAY**  
Affiant



16 JUL 2020

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at  
QUEZON CITY, affiant personally appeared before me and exhibited to me his  
Philippine Passport No. P2806350A issued on 27 April 2017 and shall be valid until 26 April  
2022.

Doc. No. 48 ;  
Page No. 98 ;  
Book No. 48 ;  
Series of 2nd

  
ATTY. ROSALINDA A. MONTENEGRO

Notary Public  
Until December 31, 2021  
PTR No.: 9296384 - 1/02/2020 - QC  
IBP No. AR30027671 - 1/02/2020  
Roll No. 68465  
ADM MATTER NO. NP. 624 (2020-2022)  
MCLE Compliance No. VI-005347  
Unit 312 Acre Bldg., 137 Malakas St.  
Brgy. Central, Quezon City

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Roberto F. Anonas, Jr.**, Filipino, of legal age and a resident of 216 Habenaria St., Pacific Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SBS Philippines Corporation and have been its independent director since 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
University of Asia & the Pacific	Faculty	19 years
Fuji – Haya Electric Corporation	Director	2 years
Macay Holdings, Inc.	Independent Director	7 years
Pentarch Stalwark Builders, Inc.	Director	4 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SBS Philippines Corporation, as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of SBS Philippines Corporation and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director / Officer / Substantial Shareholder	Company	Nature of Relationship
NONE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged / Investigated	Tribunal or Agency Involved	Status
NONE		

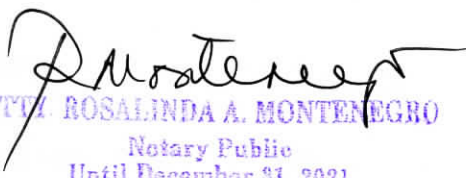
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director of the Securities Regulation Code and its Implementing Rules and Regulations Code of Corporate Governances and other SEC issuances.
7. I shall inform the Corporate Secretary of SBS Philippines Corporation CORPORATION of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 30<sup>th</sup> of June 2020, at Makati City, Philippines.

  
**ROBERTO F. ANONAS, JR.**  
Affiant

**SUBSCRIBED AND SWORN** to before me this 16 JUL 2020 day of \_\_\_\_\_ at QUEZON CITY, M.M., affiant personally appeared before me and exhibited to me his Philippine Passport No. P4279751B at DFA NCR SOUTH issued on 02 January 2020 valid until 01 January 2030.

Doc. No. 480;  
Page No. 01;  
Book No. 44;  
Series of 2020.

  
**ATY. ROSALINDA A. MONTENEGRO**  
Notary Public  
Until December 31, 2021  
PTR No.: 9296384 - 1/02/2020 - QC  
IBP No. AR30027671 - 1/02/2020  
Roll No. 68465  
ADM MATTER NO. NP. 024 (2020-2021)  
MCLE Compliance No. VI-005341  
Unit: 312 Acre Bldg., 137 Malakas St.,  
Brgy. Central, Quezon City



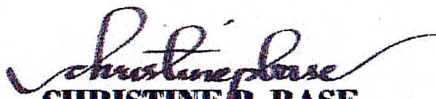
REPUBLIC OF THE PHILIPPINES]  
MAKATI CITY ] S.S.

**SECRETARY'S CERTIFICATE**

I, **CHRISTINE P. BASE**, Filipino, of legal age and with office address at the 8<sup>th</sup> Floor Chatham House, 116 Valero St., Salcedo Village, Makati City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected Corporate Secretary of **SBS Philippines Corporation** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at No. 10 Resthaven Street, San Francisco Del Monte, Quezon City;
2. As such Corporate Secretary, I have in my custody the books and records and other papers of the Corporation;
3. I hereby certify that to the best of my knowledge, none of the named directors and officers of the Corporation works for the Government of the Republic of the Philippines.


IN WITNESS WHEREOF, I have hereunto set my hand this AUG 10 2020  
at Makati City, Philippines.

  
**CHRISTINE P. BASE**  
Corporate Secretary

AUG 10 2020

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_  
at Makati City, Philippines, affiant exhibiting to me her Integrated Bar of the Philippines Lifetime Member ID with No. 08661, Albay Chapter.

Doc. No. 804 ;  
Page No. 61 ;  
Book No. XXIII ;  
Series of 2020

  
**ATTY. CARLO ARTEMUS V. DIAZ**  
Notary Public for the City of Makati  
Appointment No.: M-417 / Valid Until December 31, 2020  
2/F ACT Tower 135 H.V. Dela Costa St.,  
Salcedo Village, Makati City 1227  
Roll No.: 65662  
IBP Lifetime No.: 014850 / Manila I Chapter  
PTR No.: 8116241 / Makati City / 2 January 2020  
MCE Compliance No.: VI-0017273 / 24 January 2019

**SBS PHILIPPINES CORPORATION  
ANNUAL STOCKHOLDERS' MEETING  
September 17, 2020 at 3:00 p.m.**

**Guidelines for Participating via Remote Communication and Voting in Absentia**

The Annual Stockholders' Meeting (ASM) of **SBS PHILIPPINES CORPORATION** (SBS or the Company) is scheduled on September 17, 2020 (Thursday) at 3:00 p.m. with the end of trading hours of the Philippine Stock Exchange on August 5, 2020 (Record Date) as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

In light of the ongoing community quarantine imposed in several areas of the country and in consideration of health and safety concerns of everyone involved, SBS shall allow attendance, participation and voting by stockholders via remote communication or in absentia pursuant to Sections 23 and 57 of the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6-2020.

**Step 1. Pre- ASM Registration/Validation/Voting Procedures**

Stockholder must pre-register online through [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020) to participate in the ASM via remote communication or to exercise their right to vote in absentia or vote by proxy. They may also vote by proxy by sending the documentary requirements with transmittal letter addressed to the Office of the Corporate Secretary, at 8th Floor, Chatham House Bldg., Valero corner Rufino Sts., Salcedo Village, Makati City VIA COURIER/PERSONAL DELIVERY OR scanned copies of these documents by EMAIL to [asm2020ocs@sbsph.com](mailto:asm2020ocs@sbsph.com) with return-receipt.

Pre-registration at [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020) by uploading all the documentary requirements should be made no later than September 7, 2020.

Meanwhile, the following complete/accurate documentary requirements with transmittal letter MUST BE SENT TO AND RECEIVED by the Office of the Corporate Secretary no later than September 7, 2020 for those that opt to vote by Proxy on manually filled ballot:

- For Certificated Individual Stockholders

1. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address

2. Stock certificate number/s

3. A valid and active e-mail address and contact number of stockholder

4. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from SBS' website <http://www.sbspb.com/disclosure-filings/investors/annual-stockholders-meeting/> and at [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

- For Certificated Multiple Stockholders or Joint owners

1. A clear copy of the ALL stockholders' valid government-issued IDs (such as passport, driver's license, or unified multipurpose ID) showing photo, signature personal details and contact number, preferably with residential address

2. Stock certificate number/s

3. A valid and active email-address and contact number of authorized representative

4. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)

5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from SBS' website <http://www.sbspb.com/disclosure-filings/investors/annual-stockholders-meeting/> and at [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

- For Certificated Corporate/Partnership Stockholders

1. Secretary's Certification of Board resolution attesting to the authority of representative to participate by remote communication for, and on behalf of the Corporation/Partnership

2. Stock certificate number/s

3. A clear copy of the valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) of stockholder's authorized representative showing photo, signature and personal details, preferably with residential address

4. A valid and active email-address and contact number of authorized representative for verification

5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from SBS' website

<http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/> and at [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

- For Stockholders with Shares under PCD Participant/Broker Account

1. Certification from broker as to the number of shares owned by stockholder with contact details of PCD Participant/Broker for verification. Please note that should SBS be unable to verify the shares of a shareholder because the PCD Participant/Broker is inaccessible, this may result to failure of registration of concerned shareholder.

2. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address

3. A valid and active email-address and contact number of stockholder or proxy

4. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from SBS' website <http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/> and at [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020)

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

Stockholders will receive an e-mail reply from SBS' Office of the Corporate Secretary as soon as practicable. The Office of the Corporate Secretary's email reply will either confirm successful registration and provide the link/meeting details to SBS' 2020 ASM OR require submission of deficient documents. If you have not received any email reply, please call tel. nos. 7978 9950

**Important Reminders:**

- Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration.

- All documents/information shall be subject to verification and validation by the Company.

- Each successful registration will be counted to determine quorum. However, should a successful registrant fail to cast his/her vote, the Chairman of the meeting shall be automatically appointed/designated as proxy to cast the vote of said registrant.

**Step 2: Voting in Absentia Procedure**

Stockholders who have successfully registered shall be notified via email from the Office of the Corporate Secretary of their validated registration for the ASM. Registered stockholders can then cast their votes for specific items in the agenda by voting online at [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020) with their log-in credentials.

1. Validated registered shareholders can vote online on each agenda item on the ballot print-out. A brief description of each item for stockholders' approval can be found in the Information Statement

1.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval except for the election of directors where every stockholder will be entitled to cumulate his votes.

2. Once the stockholder has finalized his vote, he can proceed to submit his ballot online no later than September 15, 2020 at 12 midnight.

### Step 3: Virtual ASM

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided by SBS. Instructions on how to access the broadcast will also be posted at SBS' website <http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/>

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request. Stockholders may access the recorded webcast of the ASM by sending an email request addressed to [asm2020@sbsph.com](mailto:asm2020@sbsph.com).

### Open Forum

During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2020 Open Forum" to [asm2020@sbsph.com](mailto:asm2020@sbsph.com) or through online [https://agm.conveneagm.com/sbs\\_asm2020](https://agm.conveneagm.com/sbs_asm2020).

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by SBS through the stockholders' email addresses.

For any clarifications, please contact

**ATTY. JOSE FIDEL R. ACUÑA**  
**CORPORATE INFORMATION OFFICER**  
**SBS PHILIPPINES CORPORATION**  
**10 RESTHAVEN ST., SFDM, QUEZON CITY 1105**  
tel. nos. 7978 9950

For other ASM-related queries, stockholders may contact SBS at [asm2020@sbsph.com](mailto:asm2020@sbsph.com).

**SBS PHILIPPINES CORPORATION**  
**Minutes of the Annual Stockholders' Meeting**

(Subject to ratification in the next Shareholders' Meeting)

Held on 22 May 2019 at the Kalayaan Hall, Club Filipino, Club Filipino Avenue  
Corner Eisenhower Streets, San Juan, Metro Manila

**Shareholders' Present**

Represented in Person or by Proxy	1,487,120,067 shares or 96%
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**Directors in Attendance:**

Necisto U. Sytengco	Chairman
Ricardo Nicanor N. Jacinto	Vice-Chairman
Gerry D. Tan	President
Aylene Y. Sytengco	Director
Necisto Y. Sytengco II	Director
Esmeraldo A. Tepace	Director
Roberto F. Anonas, Jr.	Independent Director
Geocel D. Olanday	Independent Director

**Others present:**

Christine P. Base	Corporate Secretary
Jose Fidel R. Acuña	External Counsel
Helen T. de Guzman	Nominee

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The Chairman, Mr. Necisto U. Sytengco, welcomed the stockholders and delivered his remarks and message to the shareholders. He then welcomed the members of the board of directors and introduced them to the shareholders.

**I. CALL TO ORDER,**

The meeting was called to order by the Chairman.

**II. PROOF OF NOTICE, AND DETERMINATION OF QUORUM**

The Chairman inquired whether notices of the meeting were duly send and if there is a quorum for the meeting. The Corporate Secretary replied that notices of the meeting together with the agenda and the Definitive Information Statement of the Corporation, were duly sent beginning April 28, 2019 to all stockholders of record as of April 10, 2019 by personal delivery and by mail with postage pre-paid.



The Corporate Secretary further certified that shareholders owning 1,487,120,067 shares or 96% of the outstanding capital stock were present or represented during the meeting, thus, there was a quorum for the meeting of the stockholders of the Corporation.

The Chairman then asked the Corporate Secretary to discuss the rules and procedures of the meeting. Thereafter, the Secretary discussed the procedures to govern the conduct of voting during the meeting which were also stated in the Explanatory Notes to the Agenda items, sent to shareholders prior to the meeting together with the Notice of the Meeting. The following poll voting procedures was observed during the meeting:

*“Upon registration, the shareholders, voting in person or by proxy was presented with a ballot which was used to cast their votes in writing. The ballot stated the proposed action items in the Agenda for consideration of the shareholders.*

*To vote, the shareholder manually filled up the ballot provided to them upon registration indicating the votes cast per item of the Agenda. Once completed, the shareholder placed the ballot with the votes cast in the ballot boxes located at the registration table and inside the meeting hall.*

*All votes received was tabulated by the Office of the Corporate Secretary, and the results of the tabulation was validated by Punongbayan & Araullo, the Corporation’s Independent Auditors.*

*As an item on the Agenda is taken up, the Corporate Secretary reported the total number of votes received and if the agenda item was carried or disapproved.”*

The Corporate Secretary then certified that 1,487,120,067 shares or 96% of the outstanding capital stock of the Company were present and represented, and had cast their votes on the agenda items for consideration by the shareholders.

The Chairman then asked the Vice Chairman, Mr. Ricardo Nicanor N. Jacinto to preside over the rest of the meeting. The Vice Chairman accepted.

### **III. APPROVAL OF MINUTES OF PREVIOUS MEETING**

The first business item on the Agenda was the approval of the minutes of the Annual Stockholders’ Meeting held on 22 June 2018. Copies of the minutes were distributed during the registration. Shareholder Mr. Rudy S. Awat moved for the approval of the following resolution, and Shareholder Ms. Kristina Carlota Gumawid seconded the following motion:

*“RESOLVED, that the minutes of the Annual Shareholders’ Meeting held on 22 June 2018, be, as it is hereby approved.”*

The Vice Chairman inquired if there were any comments. There were none. The Corporate Secretary then certified that shareholders holding 1,487,120,067 shares or 96% voted in

favor of the approval of the minutes. The minutes of the Annual Stockholders' Meeting held on 22 June 2018 was approved.

#### **IV. APPROVAL OF REPORTS TO THE SHAREHOLDERS**

The President, Mr. Gerry Tan, presented the progress report and results of operations of the Company for the year 2018. He then opened the floor for questions. There were neither questions nor oppositions relating to the management report and results of operations.

The Vice Chairman referred to the 2018 audited consolidated financial statements of the Company which were appended to the Definitive Information Statement sent to all stockholders of record. He then opened the floor for motions relative to the approval of the Audited Consolidated Financial Statements of 2018.

Atty. Ma. Janine Pedernal moved for the approval of the 2018 AFS through the following resolution and the same was duly seconded by Ms. Evelyn Colarina:

*“RESOLVED, that the Audited Consolidated Financial Statements of the Company as of and for the twelve-month period ended 31 December 2018 as audited by the Company’s Independent Auditors, Punongbayan & Araullo, are hereby approved and accepted.”*

The Vice Chairman inquired if there were any comments. There were none. The Corporate Secretary then certified that shareholders holding 1,487,120,067 shares or 96% voted in favor of the approval of the resolution.

Considering that majority voted to approve, the motion was carried.

#### **V. RATIFICATION OF THE ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT**

The Vice Chair asked the Corporate Secretary to discuss the agenda item, and the Corporate Secretary discussed that the matter being proposed for approval and ratification of the shareholders refers to the acts and resolutions of the Board of Directors and Management since the meeting of the stockholders on 22 June 2018 up to the date of this meeting, which were summarized in the Definitive Information Statement provided to the Shareholders and also disclosed and posted at the Company’s website. Said acts were also flashed in the screen during the meeting.

She explained that the acts of the Board and its Committees include approvals of contracts and agreements, investments and capital expenditures, treasury and other matters that have been subject of the corporate disclosures to the Philippines Stock Exchange and the Securities and Exchange Commission.

She further explained that the acts of Management refer to those made to implement resolutions of the Board and its Committees and undertaken in the general conduct of the business and affairs of the Company.



The Vice Chairman then opened the floor for motions to ratify the acts of directors and management.

Shareholder Ms. Elaine Amponin moved to ratify the acts of directors and management and Bryan De Jesus seconded the motion, thus:

*“RESOLVED, that all the acts of the Board of Directors and Management from the date of the last annual stockholders’ meeting held on 22 June 2018 to date, be, as it is hereby, approved and ratified.”*

The Vice Chairman inquired if there were any comments. There were none. The Corporate Secretary then certified that shareholders holding 1,487,120,067 shares or 96% voted in favor of the approval of the resolution.

Considering that majority voted to approve, the motion was carried.

## **VI. APPOINTMENT OF INDEPENDENT AUDITOR**

The Vice Chairman asked Mr. Geocel D. Olanday, Chairperson of the Company’s Audit and Risk Management Committee to report on its evaluation and recommendation. Mr. Geocel D. Olanday discussed that the Audit and Risk Management Committee has satisfied itself of the suitability of the Punongbayan & Araullo to meet the audit requirements of the Company for financial year 2018 and together with the Board of Directors, recommended the re-appointment of Punongbayan & Araullo as the Company’s independent auditors for Financial Year 2019.

The Vice Chairman opened the floor for a motion.

Atty. Ma. Janine Pedernal moved for the re-appointment of Punongbayan & Araullo as External Auditor of the Corporation and to delegate to the Board of Directors to fix their remuneration through the following resolution, and duly seconded:

*“RESOLVED, as it is hereby resolved, that the Stockholders approve the appointment of PUNONGBAYAN & ARAULLO as the Corporation’s external auditors for 2019.”*

The Vice Chairman inquired if there were any comments. There were none. The Corporate Secretary then certified that shareholders holding 1,487,120,067 shares or 96% voted in favor of the approval of the resolution.

Considering that majority voted to approve, the motion was carried.

## **VII. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS TO SERVICE FOR THE TERM 2019-2020**

The Vice Chairman asked the Chairman of the Nomination & Corporate Governance Committee to report on the nominees for election to the Company’s Board of Directors

who discussed that the Nomination Committee has pre-screened and short-listed all candidates nominated to the Board of Directors, who accepted their nomination, namely:

1. Mr. Necisto U. Sytengco
2. Mr. Gerry D. Tan
3. Mr. Esmeraldo A. Tepace
4. Ms. Aylene Y. Sytengco
5. Mr. Necisto Y. Sytengco II
6. Mr. Ricardo Nicanor N. Jacinto

And as Independent Directors:

7. Mr. Roberto F. Anonas, Jr.
8. Ms. Helen T. de Guzman
9. Mr. Geocel D. Olanday

He further discussed that all nominees except for Ms. Helen T. de Duzman are incumbent members of the Board and have been determined by the Committee to possess all the qualifications and none of the disqualifications provided under the Company's By-Laws, Manual of Corporate Governance and SEC rules and are eligible for re-election to the Board of Directors.

The Vice Chairman opened the floor for a motion.

Shareholder Mr. Rudy S. Awat moved that based on the recommendation of the Nomination Committee, the abovementioned incumbent directors be re-elected as members of the Company's Board of Directors to serve as such for the term of one year from May 22, 2019 and until their successors have been duly elected and qualified. Atty. Jose Fidel Acuña seconded the motion. Thus, the following resolution was approved and ratified:

*“RESOLVED, that the following individuals are hereby re-elected as members of the Company's Board of directors to serve for term of one year from May 22, 2019 an until their successors have been duly elected and qualified:*

- 1. Mr. Necisto U. Sytengco*
- 2. Mr. Gerry D. Tan*
- 3. Mr. Esmeraldo A. Tepace*
- 4. Ms. Aylene Y. Sytengco*
- 5. Mr. Necisto Y. Sytengco II*
- 6. Mr. Ricardo Nicanor N. Jacinto*

*And as Independent Directors*

- 7. Mr. Roberto F. Anonas, Jr.*
- 8. Ms. Helen T. de Guzman*
- 9. Mr. Geocel D. Olanday.”*

The Vice Chairman inquired if there were any comments. There were none. The Corporate Secretary then certified that:

1. Shareholders holding 1,487,120,067 shares or 96% voted in favor Mr. Necisto U. Sytengco
2. Shareholders holding 1,487,120,067 shares or 96% voted in favor Mr. Gerry D. Tan
3. Shareholders holding 1,487,120,067 shares or 96% voted in favor Mr. Esmeraldo A. Tepace
4. Shareholders holding 1,487,120,067 shares or 96% voted in favor Ms. Aylene Y. Sytengco
5. Shareholders holding 1,487,120,067 shares or 96% voted in favor Mr. Necisto Y. Sytengco II
6. Shareholders holding 1,487,120,067 shares or 96% voted in favor Mr. Ricardo Nicanor N. Jacinto

And as independent directors:

7. Shareholders holding 1,487,120,067 shares or 96% voted in favor Mr. Roberto F. Anonas, Jr.
8. Shareholders holding 1,487,120,067 shares or 96% voted in favor Ms. Helen T. de Guzman
9. Shareholders holding 1,487,120,067 shares or 96% voted in favor Mr. Geocel D. Olanday

The Vice Chairman explained that based on the nomination and tally of votes, the following are re-elected as directors of the Corporation to serve for one year from May 22, 2018 and until their successors shall have been elected and qualified:

1. Mr. Necisto U. Sytengco
2. Mr. Gerry D. Tan
3. Mr. Esmeraldo A. Tepace
4. Ms. Aylene Y. Sytengco
5. Mr. Necisto Y. Sytengco II
6. Mr. Ricardo Nicanor N. Jacinto

And as Independent Directors

7. Mr. Roberto F. Anonas, Jr.
8. Ms. Helen T. de Guzman
9. Mr. Geocel D. Olanday

## **VIII. OTHER MATTERS**

The Vice Chairman further asked if there are any other matters any shareholders wish to discuss. There was none.

## **IX. ADJOURNEMENT**

The Vice Chairman opened the floor for motions to adjourn the meeting. Atty. Ma. Janine Pedernal moved to adjourn the meeting. Shareholder Kristina Carlota Gumawid seconded the motion.

**Christine P. Base**  
Corporate Secretary

Attested by:

**Necisto U. Sytengco**  
Chairman