



SBS PHILIPPINES CORPORATION

January 10, 2020

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, Metro Manila

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

PHILIPPINE STOCK EXCHANGE, INC.

6/F, PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

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

Gentlemen:

In compliance with the Philippine Stock Exchange listing obligations of SBS Philippines Corporation (the Company), please find enclosed the Company's Annual Progress Report on the application of proceeds from the Initial Public Offering (IPO) as of and for the year ended December 31, 2019 providing for the following:

1. Annual Summary of Disbursement of the IPO Proceeds as of December 31, 2019 as certified by the Chief Financial Officer & Treasurer;
2. Notes to the Schedule on Disbursement of IPO Proceeds and Progress Report as of and for the year ended December 31, 2019; and,
3. Report of External Auditor on Review of Certain Financial Information.

Sincerely yours,

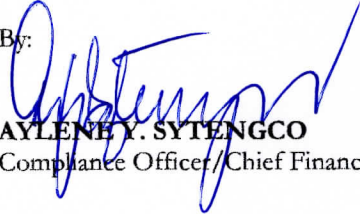
AYLENE Y. SYTENGCO
Compliance Officer/Chief Financial Officer/Treasurer

Encl. a/s

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
Annual Summary of Disbursement of the IPO Proceeds
as of December 31, 2019
(Amounts in Philippine Peso)

Gross Initial Public Offering (IPO) Proceeds	P	1,155,000,000.00
Less: IPO-related project expenses		<u>42,755,704.55</u>
Net Offering Proceeds		1,112,244,295.45
Less: Disbursements		
Accumulated costs incurred as of December 31, 2019		<u>1,112,244,295.45</u>
Balance of the Net Offering Proceeds		
as of December 31, 2019	P	<u> -</u>

By:


AYLENE Y. SYTENGCO
Compliance Officer/Chief Financial Officer/Treasurer

January 10, 2020

SBS PHILIPPINES CORPORATION

(A Subsidiary of Anesy Holdings Corporation)

NOTES TO THE SCHEDULE ON DISBURSEMENT OF IPO PROCEEDS AND PROGRESS REPORT AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. BACKGROUND

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

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

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

2. REALLOCATION AND CHANGE IN USE OF IPO PROCEEDS

Reference is made to the proposed utilization of proceeds raised from the IPO as disclosed in the Company's Prospectus dated July 24, 2015 and the Disbursement of Proceeds and Progress Reports dated July 12, 2017 and October 12, 2017, and the subsequent announcements on the change in the usage of the IPO proceeds, the last amendment of which was provided on March 29, 2019.

On May 20, 2016, the Company's Board of Directors (BOD) approved the variation in and extension of timeframe for the utilization balance of the IPO proceeds which then amounted to P670,884,497.96 remaining as of that date. These revised allocation and disbursement schedule together with the explanatory notes were submitted to the PSE through the PSE Electronic Disclosure Generation Technology. The details of the reallocation and change in the use of IPO Proceeds as of May 20, 2016 are presented in the succeeding pages.

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

The Company's Directors and Management considered it to be in the best interests of the Company and its shareholders that this portion of the IPO proceeds is instead channeled to further its strategy to grow its business through synergistic acquisitions that will enhance the Company's product offerings and servicing capabilities. The redeployment of such financial resources to pursue potential business-building acquisitions is in step with the strategic goal of the Company to grow its principal business and expand of its chemical operations via acquisition, and/or investments in allied chemical businesses, as and when such opportunity arises. This was further reallocated on August 14, 2017 and December 19, 2017 as discussed in the next page.

- (b) P100,000,000.00 initially allocated and earmarked for the construction of the new Muntinlupa warehouse facilities have been redeployed and reallocated instead to fund the setting up of value added services and/or construction of such facilities to enhance and increase the Company's value-added services. This was further reallocated on August 14, 2017 and December 19, 2017 as discussed in the next page.
- (c) P103,969,248.00 initially allocated and earmarked to fund specific capital expenditures as detailed in the Company's Prospectus dated July 24, 2015 have been reallocated to finance investments in new equipment and machinery to include but shall not be limited to those itemized in the Company's Prospectus which investments are to be staggered during the period 2016-2017 and aligned with the current business needs of the Company. The amount of P80,000,000.00 was further reallocated on March 29, 2019 for Investment in Affiliates as discussed on the next page.
- (d) P100,000,000.00 initially allocated and earmarked to fund specific new product purchases as detailed in the Company's Prospectus dated July 24, 2015 have been reallocated to finance the purchase and importation of additions to the Company's product portfolio to cover a much broader range of products which shall include but shall not be limited to new products and product improvements listed in the Company's Prospectus as well as fund the organization of a business development unit to strengthen sales and marketing force for the additional product offerings.
- (e) P14,830,318.45 excess of actual IPO expenses over the estimated IPO expenses have been channeled to general working capital requirements.

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

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

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

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

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

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

On March 29, 2019, the Company's BOD approved to re-appropriate P80,000,000 from the previously re-allocated P104,600,000 intended for Capex for the equipment and machinery of the Company to investment in affiliates. This will be used to partially support its additional subscription to Smyte Phils. Holdings Corporation.

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

Use of IPO Proceeds	Allocation of Use of IPO Proceeds based on Prospectus	As Amended on 20-May- 16	As Amended on 14-Aug- 17	As Amended on 19-Dec- 17	As Amended on 29- Mar-19
Working Capital	P 157,813,977.00	174,729,226.96	174,729,226.96	174,729,226.96	P 174,729,226.96
Debt Retirement	285,000,000.00	282,915,068.49	282,915,068.49	282,915,068.49	282,915,068.49
IPO Expenses	57,586,023.00	42,755,704.55	42,755,704.55	42,755,704.55	42,755,704.55
Product Expansion	100,000,000.00	-	-	-	-
New Product Offerings	-	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00
Capital Expenditures – Muntinlupa Property Acquisition	350,000,000.00	-	-	-	-
Business Acquisitions	-	350,000,000.00	-	-	-
Capital Expenditures – Warehouse Construction	100,000,000.00	-	-	-	-
Acquisition of warehouse facility complex or of a company holding such realty property and capital expenditure for the purchase or construction of a warehouse building	-	-	450,000,000.00	-	-
Investment in LHC to acquire and hold warehouse facility complex	-	-	-	350,000,000.00	350,000,000.00
Investment in facility improvements, reduction of liabilities, working capital and general corporate purposes	-	-	-	100,000,000.00	100,000,000.00
Capital Expenditures – Warehouse and Office Improvements	52,500,000.00	-	-	-	-
Capital Expenditures – Warehouse Equipment & Machinery	34,200,000.00	-	-	-	-
Capital Expenditures – Delivery & Service Vehicles	12,000,000.00	-	-	-	-
Capital Expenditures – IT Systems & Renewable Energy Savings Systems	5,900,000.00	-	-	-	-
Capital Expenditures - Facility Improvements	-	100,000,000.00	-	-	-
Capital Expenditures - Equipment & Machinery	-	104,600,000.00	104,600,000.00	104,600,000.00	24,600,000.00
Investment in an affiliate through subscription of new shares	-	-	-	-	80,000,000.00
TOTAL IPO PROCEEDS	P 1,155,000,000.00	P 1,155,000,000.00	P 1,155,000,000.00	P 1,155,000,000.00	P 1,155,000,000.00

**3. DESCRIPTION OF DISBURSEMENTS AND EXPENDITURES
AS OF DECEMBER 31, 2019**

(a) General Working Capital

About 15.13% of the IPO Proceeds is allotted specifically for use as general working capital. This includes the excess of actual IPO expenses and bank loan charges versus the estimated amounts previously allocated. As of December 31, 2019, the Company has disbursed a total of P174,729,226.96 to settle trust receipts obligations and interest charges incurred for the purchase of product inventory replenishments, for marketing expense in connection with the trade exhibit participation of the Company in the Philippine Food Trade Expo, and for warehouse maintenance costs.

(b) New Product Offerings

About 8.66% of the IPO Proceeds is allotted to finance the purchase and importation of additions to the Company's product portfolio which include new products and product improvements as well as funding the organization of a business development unit providing sales and marketing support to develop market share for such new products. As of December 31, 2019, the Company had fully disbursed a total of P100,000,000.00 in connection with the importation of new product offerings for water and waste water treatment, food and agriculture related applications, related sales support expenses and salaries of the new business unit personnel.

(c) Additional Investment as Capital Infusion in Lence Holdings Corporation (LHC)

About 30.30% of the IPO Proceeds are reallocated for investment and capital infusion in the Company's subsidiary, LHC, for the purpose of partly financing the acquisition of a warehouse facility property comprising of land, buildings, and fixed assets as and when the deal will be finalized. On December 29, 2017, LHC has entered into a binding agreement for the acquisition of a warehouse facility complex south of Metro Manila. On February 5, 2018, the Company subscribed to an additional 52,000,000 common shares from the unissued capital of the Company's majority-owned subsidiary, LHC, at a subscription price of P6.7625 per share for a total consideration in cash of P351,650,000.00, of which P350,000,000.00 were paid utilizing the IPO proceeds and the balance from internally-generated funds of the Company. LHC, in turn, acquires a warehouse facility complex in Laguna on February 9, 2018. Approximately 65% of warehouse facility complex to be acquired is being considered to be utilized for the warehouse and distribution operations of the Company. The Company had fully disbursed the amount of P350,000,000.00 in connection with the investment in LHC.

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

About 8.66% of the IPO Proceeds or up to P100,000,000 are allocated for investment in facility improvements, reduction of liabilities, working capital and general corporate purposes beneficial for the Company. The Company has provided for broader use of the remaining unutilized IPO proceeds to have flexibility to utilize the proceeds for more urgent requirements. As of December 31, 2019, the Company had disbursed P100,000,000.00 for reduction of liabilities through partial payment of its bank loan and for settlement of trust receipt obligations incurred for the purchase of product inventory replenishments.

(e) Capital Expenditures for Investments in Equipment and Machinery

About 2.13% of the IPO Proceeds is allotted to finance investments in new equipment and machinery to include but shall not be limited to those itemized in the Company's Prospectus which investments will be staggered and aligned with the prevailing business requirements of the Company. As of December 31, 2019, it has fully disbursed a total of P24,600,000.00 for the purchase of air-conditioning systems for its temperature controlled storage facilities for pharmaceutical chemicals, additional office equipment, service vehicles and Enterprise Resource Planning system, including the project implementation cost.

(f) Investment in an Affiliate

About 6.93% of the IPO Proceeds is allotted to partially fund the Company's investment in an affiliate. The re-allocation will allow the Company to participate in business opportunities to increase shareholders' return through potential capital appreciation of the land held by the affiliate given the development of property market in the country. On December 27, 2019, the Company fully disbursed the amount of P80,000,000.00 to partially support the additional subscription to its affiliate, Smyte Phils Holdings Corporation.

(g) Debt Retirement

About 24.49% of the IPO Proceeds was used by the Company to prepay the outstanding principal balance of one of its term loan with BDO Unibank, Inc., which was availed of on September 5, 2013. This long-term loan was due to mature on August 27, 2018 and bears an interest cost of 5% per annum (the "BDO Loan"). The Company decided to prepay the BDO Loan as it carried a higher interest rate compared to its other loan obligations. On August 11, 2015, the Company prepaid the BDO loan in the total amount of P282,915,068.49, inclusive of accrued interest, using the IPO Proceeds.

(h) IPO Expenses

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

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

Summarized below are the disbursements made from the IPO Proceeds as of December 31, 2019.

		<u>Allocation of IPO Proceeds</u>		<u>Utilization of Proceeds Disbursed as of December 31, 2019</u>		<u>Balance of Offering Proceeds as of December 31, 2019</u>
IPO expenses	P	42,755,704.55	P	42,755,704.55	P	-
Debt retirement		282,915,068.49		282,915,068.49		-
General working capital expenditure		174,729,226.96		174,729,226.96		-
New product offerings		100,000,000.00		100,000,000.00		-
Capital expenditure for equipment & machinery		24,600,000.00		24,600,000.00		-
Investment in an affiliate		80,000,000.00		80,000,000.00		-
Investment in LHC		350,000,000.00		350,000,000.00		-
Investment in facility improvements, reduction of liabilities, working capital and general corporate purposes		<u>100,000,000.00</u>		<u>100,000,000.00</u>		<u>-</u>
	P	<u>1,155,000,000.00</u>	P	<u>1,155,000,000.00</u>	P	<u>-</u>

Report on Review of Certain Financial Information

Punongbayan & Araullo

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6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

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

Introduction

We have reviewed the accompanying Annual Summary of Disbursement of the Initial Public Offering (IPO) Proceeds (the Annual Summary) of SBS Philippines Corporation (the Company) as of and for the year ended December 31, 2019, and the accompanying explanatory notes with respect to the Company's use of the proceeds from its IPO. Management is responsible for the preparation and fair presentation of the Annual Summary in accordance with the planned use of the IPO Proceeds as presented in the Prospectus of the Company dated July 24, 2015 and the subsequent reallocation and change in use of IPO Proceeds as approved by the Company's Board of Directors and as disclosed in the Philippine Stock Exchange (PSE) Electronic Disclosure Generation Technology on May 20, 2016, August 14, 2017, December 20, 2017 and March 29, 2019. Our responsibility is to express a conclusion and to issue a report on this Annual Summary based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Annual Summary of SBS Philippines Corporation does not present fairly, in all material respects, the information on the use of the IPO Proceeds as of and for the year ended December 31, 2019, in accordance with the planned use of such proceeds as summarized in the Offering Circular of the Company and its subsequent reallocation.

PUNONGBAYAN & ARAULLO



By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8116552, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

January 10, 2020