

MINUTES OF REGULAR MEETING OF THE
BOARD OF DIRECTORS OF PUREGOLD PRICE CLUB, INC.
HELD ON DECEMBER 15, 2017, 9:00 A.M.
AT THE WAYA ROOM,
ACACIA HOTEL, ALABANG, MUNTINLUPA CITY

Present:

Lucio L. Co	<i>Chairman</i>
Susan P. Co	<i>Vice-Chairman</i>
Ferdinand Vincent P. Co	<i>President</i>
Leonardo B. Dayao	<i>Director</i>
Pamela Justine P. Co	<i>Director</i>
Jack E. Huang	<i>Director</i>
Marilyn V. Pardo	<i>Independent Director</i>
Jaime S. Dela Rosa	<i>Independent Director</i>

Also Present:

Levi B. Labra	<i>Board Consultant</i>
Teodoro A. Polinga	<i>Comptroller</i>
Gisela Altura	<i>Kareila Comptroller</i>
Anthony G. Sy	<i>Kareila President</i>
John Marson T. Hao	<i>VP for Investor Relations</i>
Maria Teresa S. Lontoc	<i>Internal Auditor</i>
Edgar Tacorda	<i>Internal Auditor</i>
Katrina Marie P. Co	

1. CALL TO ORDER

After the Corporate Secretary certified that there is a quorum, the Chairman called the meeting to order.

2. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

Mr. Dela Rosa moved to correct the following portions of the minutes of meeting dated November 10, 2017:

1. Typographical correction on the first sentence of Financial Performance of S&R from Peso sign to percentage sign, now to be read as:

“Net sales of P17.4 billion over 14 billion last year, growth of 24.1%. Gross profit of 21.8% over 21.7% of last year, or 25% growth.”

2. Mr. Dela Rosa also moved to clarify the second sentence of the same paragraph, to which Ms. Altura clarified, now amended and read as:

“Other operating income was at 4.2% **of sales** over last year of 4.9% **over sales**, or a growth of 4.2% **on value**.”

With the necessary corrections, Mr. Dela Rosa moved to approve the minutes of the board meeting dated November 10, 2017.

3. SUMMARY OF 2017 AUDIT PLAN

In behalf of the external auditor, Ms. Lontoc presented to the Board the 2017 External Audit Plan. She started with the materiality threshold of P370 Million and their reporting threshold of P18.5 million.

Ms. Lontoc reported that KPMG will focus on the following areas: (1) Management override of control over existence of revenue (2) Valuation of intangible and goodwill (3) Inventory management (4) Treasury management (5) Fixed asset management (6) Leases and (7) Payroll management (8) Investment and acquisitions. These focus areas were chosen based on audit risk, complexity, external scrutiny and because their susceptibility to fraud or error is high.

Further, KPMG has a new application called “Lean” in Audit, that will dissect the company’s business processes and become more efficient. They will start with processes in Goods Receiving and Warehousing.

Mr. Lacson inquired from Mr. Polinga why management override on revenues is important in 2017 audit. Mr. Polinga clarified that it was the same in previous years, however, in retail industry, percentage to sales are important so it is also important to the external auditor that management is not changing or overriding the revenues.

On “Lean Audit”, Mr. Co mentioned that it is good provided KPMG will send auditors who are not so young and have the necessary experience in retail industry. Mr. Co also mentioned that we should enhance our own internal controls and do not rely on external audit.

Mr. Lacson added that there should be management audit or audit on people. At this point, Mr. Lacson asked if the company can provide real time financial statements. Mr. Polinga answered in negative because according to him the system is not integrated and they can only generate financial statement once a month. Mr. Lacson replied that there must be at least a platform to make the whole system integrated.

Mr. Co instructed Mr. Polinga, concurred by Mr. Labra, to present on next BOD meeting on how to make it feasible to generate financial reports at any given time.

Ms. Lontoc continued with her Internal Audit plan. She divided the audit activities into store operations and head office. For store operations, the focus areas are (1) Cash and Receivables Management which include Sales Audit, Revolving Fund Management covering 60% of the total stores and with frequency of 6x a year; Monthly Receivables Management covering all stores (2) Inventory Management focusing on shrinkage controls (3) Store Expenses which include Agency Billing twice a month, Reimbursements and Liquidations (4) Systems Audit which is actually more driven by head office, checking Data Integrity and Access Controls (5) Fixed Assets Management,

which focus on Annual Count, Repairs and Maintenance where scopes cover all stores. (6) and the other areas are more of customer service.

Here are the focus areas in Head Office Audit Activities: (1) Central Payroll and Agency Billing twice a month which is pre-audit prior to salary payout, (2) Treasury Management including cash count. (3) The financial selected accounts including: all types of Accounts Receivables, Payables, selected Expense Accounts, Other Income and Inventory valuation. (4) In systems audit, this is to establish controls on data integrity, access controls, back-up and disaster recovery plan. (5) Fixed Assets management, and in the other areas, which focuses more on the compliance on the different business processes of all departments.

Ms. Lontoc continued with her presentation showing the head counts of internal auditors. As of Dec. 13, 2017, there were a total of 325 Puregold stores, and the number of auditors were as follows:

No. of Stores	Location	Ratio	Head Count
PPCI	307	<u>STORE OPERATIONS</u>	<u>228</u>
NE	9	1. Sales Audit	1 Auditor : 8 Stores 47
Budget Lane	8	2. Agency Billing Audit	1 Auditor : 400 Head Count 64
Merkado	1	3. Compliance Audit	1 Auditor : 4 Stores 80
	-----	4. Multi Function	Far-away stores 34
Total Stores	<u>325</u>	5. Cluster Heads (CH)	3
		<u>Head Office</u>	<u>31</u>
		1. Managers	3
		2. Cluster Head (CH)	9
		3. Financial Audit	2
		4. Payroll & Agency Billing	8
		5. Compliance Audit	4
		6. Warehouse Audit	2
		7. System's Audit	3
		<u>TOTAL HEAD COUNT</u>	<u>259</u>

4. PRESENTATION OF CAPITAL EXPENDITURES FOR 2018

Mr. Polinga presented to the Board the overview of capex program for 2018 with a total of P4.4 billion pesos, detailed as follows:

P1 billion for 25 new stores of Puregold
P2.4 billion for 3 S&R warehouses
P200 million for 12 QSR
P50 million for 10 Lawson stores
P500 million for repair and maintenance
P250 million for IT system upgrade

5. DECLARATION OF CASH DIVIDEND

Considering the company's unrestricted retained earnings in 2016, Mr. Dayao moved to declare regular cash dividend of P0.20 per share and special dividend P0.20 per

share, for all stockholders as of record date January 2, 2018 and with payment date of January 26, 2018.

Upon due deliberation by the directors, the cash dividends, as presented by Mr. Dayao, were approved by the Board.

6. RENEWAL OF BUY BACK PROGRAM

Mr. Dayao moved for the renewal of the buy-back of shares program of the Company for another period of 1 year or until December 14, 2018.

On a motion duly seconded, the Board renewed the buy-back program for another year and subject to the limit or amount previously set by the Board.

7. OTHER MATTERS

A. Schedule for 2018 Board Meetings:

January 30, 2017, Tuesday – 2018 Business Plans
February 23, 2018, Friday – Annual Corporate Governance Seminar
April 12, 2018, Thursday – 2017 Audited Financial Statements
May 8, 2018, Tuesday – Annual Stockholders Meeting and Organizational Meeting
May 11, 2018, Friday – 1st Quarter Operational and Financial Report
August 10, 2018, Friday – 2nd Quarter Operational and Financial Report
November 9, 2018, Friday – 3rd Quarter Operational and Financial Report
December 14, 2018, Friday – Year End Report and Audit Plan for 2018

B. Authority of the Company's signatories and representatives:

The resolution of the Board dated December 22, 2016 re appointment of certain level of officers as representatives and signatories in all regular transactions and dealings of the Company with private and public entities including Government agencies and trial courts was renewed for the year 2018.

8. ADJOURNMENT

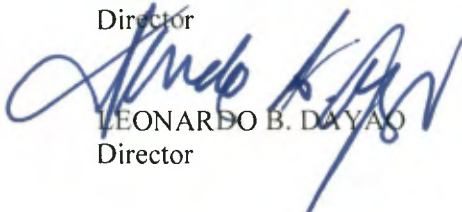
The meeting was adjourned at 11:30 a.m.

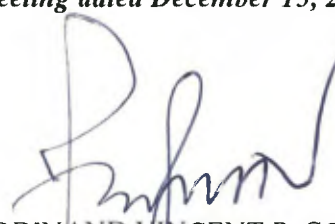
We hereby certify that the above Minutes of the Meeting dated December 15, 2017 are true, complete and correct.

Read and Signed the Minutes of Puregold board meeting dated December 15, 2017:

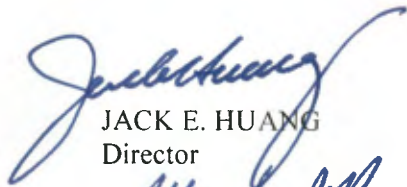

LUCIO L. CO
Chairman of the Board

SUSAN P. CO
Director


LEONARDO B. DAYAO
Director


FERDINAND VINCENT P. CO
Director


PAMELA JUSTINE P. CO
Director



JACK E. HUANG
Director



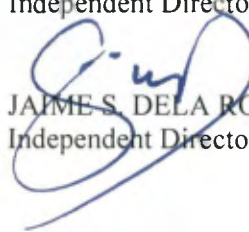
MARILYN V. PARDO
Independent Director



ATTY. CANDY H. DACANAY-DATUON
Assistant Corporate Secretary



EDGARDO G. LACSON
Independent Director



JAIIME S. DELA ROSA
Independent Director