

MINUTES OF THE ANNUAL MEETING
OF STOCKHOLDERS

SSI GROUP, INC.

Held on 18 June 2018, 9:00 a.m.
at the Rigodon Ballroom
Manila Peninsula
Makati City

PRESENT:

ANTHONY T. HUANG
MA. TERESA R. TANTOCO
EDUARDO T. LOPEZ III
EDGARDO LUIS PEDRO T. PINEDA
CARLO L. KATIGBAK (INDEPENDENT DIRECTOR)

ALSO PRESENT:

ELIZABETH T. QUIAMBAO
ROSSELLINA J. ESCOTO
MA. MARGARITA A. ATIENZA
MA. ALICIA PICAZO-SAN JUAN
JAMIE KATRINA F. CHAN

SHARE INFORMATION:

Total Number of Issued and Outstanding Shares	3,312,864,430
Total Number of Shares Represented at the Meeting	2,336,907,270
Percentage of Shares Represented	70.54%

I. CALL TO ORDER

The President, Mr. Anthony T. Huang, acted as Chairman of the Meeting, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Ma. Alicia G. Picazo-San Juan, recorded the minutes of the meeting.

II. CERTIFICATION OF NOTICE AND QUORUM

Upon request of the Chairman of the Meeting, the Corporate Secretary confirmed (i) that notices were duly sent by mail or special messengerial service to all stockholders of record of the Company as of 16 May 2018, the record date of the meeting, (ii) that based on the records, there were represented at the meeting, in person or by proxy, stockholders owning 2,336,907,270 shares, representing 70.54% of the total issued and outstanding capital stock of the Company, and (iii) that there was a quorum to transact business therein.

III. APPROVAL OF MINUTES OF PREVIOUS STOCKHOLDERS' MEETING

Upon motion duly made and seconded, the stockholders resolved to approve the minutes of the Annual Stockholders' Meeting held on 15 June 2017 in its entirety.

The breakdown of the votes cast on this matter was as follows:

Votes in favor	-	2,336,907,270 (100% of votes cast)
Votes against	-	Nil
Abstentions	-	Nil

IV. APPROVAL OF THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2017

The President reported on the financial condition and results of operations of the Company for the year 2017. The Corporate Secretary noted that copies of the Annual Report for the year ended 31 December 2017 were furnished and sent to all stockholders of record. The Audited Financial Statements were incorporated in the Annual Report of the Company. These were likewise summarized in the Definitive Information Statement, copies of which were distributed to the stockholders of record together with the Notice of the Meeting.

Mr. Huang began by reporting that 2017 was a turn-around year for the Company as it realized the benefits of strategies meant to strengthen its developed brands and locations, to optimize its store network, expense base and cashflow generations capabilities and to lay the groundwork for the further expansion of its e-commerce and food businesses.

Mr. Huang said that the Group ended the year with a portfolio of 108 brands, spread across a wide range of categories, including luxury, bridge, casual wear, fast fashion, footwear and accessories, personal care, home and food.

For the year 2017, the Company realized stable revenues of Php18.5 billion brought about by the strength of its core specialty retailing business, an increase compared to 2016, despite the 7% decline in total selling area. Recurring income growth was at 12% and net income growth at 19%. There was a significant pick up in same-store sales growth during the second half of 2017, with even stronger same-store sales growth during the first five months of 2018. Stable revenues combined with lower operating and interest expenses resulted in a recurring income of Php652 million. Net income, on the other hand, was at Php275 million, an improvement from the previous year.

There was strong growth for the Company's luxury and bridge business with top line growth of 6% against a 15% decline in selling space. The fast fashion business also performed strongly with revenues increasing by 3%, against a 2% decline in selling area. The others category saw growth of 1%, against a 12% decline in selling space.

The Company also benefitted from efforts to optimize inventory levels and combined with improved profitability, allowed the Company to generate Php2 billion in operating cash flows. Free cashflow was at Php1.7 billion, a 42% increase over the previous year.

Store network at the end of 2017 consisted of 638 stores covering 129,000 sq.m. The Company's stores continue to be located in the country's prime, developed malls, ensuring that SSI is a ubiquitous presence in the lives of Filipino consumers.

As part of its optimization program the Company closed around 12,000 sq.m. of underperforming stores while at the same time opening more than 3,000 sq.m. of new stores for established brands such as Prada, Stradivarius, MAC and SaladStop!. The Company also achieved greater efficiencies in 2017 with the productivity of the Group's store network increasing by 7% to Php143,000 per square meter.

In 2017, the Company continued to expand its e-commerce business. Buyers on the Company's websites for Lacoste, Beauty Bar and 158 Designers' Boulevard increased by 230%, while total revenue for these sites grew by 270%. Payless.ph, on the other hand, continues to generate revenues equivalent to a medium sized brick and mortar Payless store. The Company also expanded its e-commerce reach by making some of our products available on 3rd party e-commerce sites, and opened another mono brand site, superga.ph.

Mr. Huang then announced that the Board of Directors has approved the declaration of Php43 million in cash dividends, or a dividend of 13/1000 Pesos (Php 0.013) per share. He emphasized that this is the first cash dividend declared since IPO, and reflects the Company's confidence that the gains achieved in 2017 are the starting point for further growth in 2018 and beyond.

After the presentation of the report, and upon motion duly made and seconded, the stockholders approved the Annual Report and Audited Financial Statements of the Company for the fiscal year ended 31 December 2017.

The breakdown of the votes cast on this matter was as follows:

Votes in favor	-	2,336,907,270 (100% of votes cast)
Votes against	-	Nil
Abstentions	-	Nil

V. RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND OF MANAGEMENT SINCE THE LAST STOCKHOLDERS' MEETING

Upon motion duly made and seconded, the stockholders resolved to ratify and confirm all acts done or caused to be done by the Board of Directors and Management of the Company since the last stockholders' meeting held on 15 June 2017, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures made and duly filed with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The breakdown of the votes cast on this matter was as follows:

Votes in favor	-	2,336,907,270 (100% of votes cast)
Votes against	-	Nil
Abstentions	-	Nil

VI. ELECTION OF DIRECTORS

At the request of the Chairman of the Meeting, the Corporate Secretary reported that the following qualified individuals were duly nominated for election as directors of the Company for the year 2018 to 2019 and until their successors-in-interest have been duly elected and qualified:

1. Zenaida R. Tantoco
2. Anthony T. Huang
3. Ma. Teresa R. Tantoco
4. Ma. Elena T. Valbuena
5. Bienvenido V. Tantoco III
6. Eduardo T. Lopez III

7. Edgardo Luis Pedro T. Pineda
8. Jose Teodoro K. Limcaoco
9. Carlo L. Katigbak

The Corporate Secretary identified Messrs. Limcaoco and Katigbak as nominees for independent directors. There being no other nominations, and upon motion made and duly seconded, the nominations were declared closed.

A stockholder moved that all nine (9) individuals nominated to the Board of Directors of the Company for the year 2018 be elected as members of the Board of Directors. The Corporate Secretary informed the stockholders that based on the votes cast in favor of all of the above-named nominees, which were tabulated with the assistance of the Company's stock transfer agent, Rizal Commercial Banking Corporation – Stock Transfer Department, the foregoing persons were elected as members of the Board of Directors.

Votes were cast in respect of the election of the directors as follows:

Nominee	Votes In Favor	Votes Against	Abstentions
Zenaida R. Tantoco	2,298,889,303	38,017,967	0
Anthony T. Huang	2,260,165,203	76,742,067	0
Ma. Teresa R. Tantoco	2,298,183,170	38,724,100	0
Ma. Elena T. Valbuena	2,295,728,170	41,179,100	0
Bienvenido V. Tantoco III	2,260,204,203	76,703,067	0
Eduardo T. Lopez III	2,295,728,170	41,179,100	0
Edgardo Luis Pedro T. Pineda	2,295,689,170	41,218,100	0
Jose Teodoro K. Limcaoco (Independent Director)	2,334,413,270	3,221,000	0
Carlo L. Katigbak (Independent Director)	2,333,686,270	0	0

The Chairman of the Meeting accordingly declared the nine (9) nominees duly elected as directors of the Company for the year 2018 and until their successors-in-interest have been duly elected and qualified.

VII. APPOINTMENT OF EXTERNAL AUDITORS FOR FISCAL YEAR 2018

Mr. Huang stated that the Company submits for approval of the stockholders the reappointment of the Company's external auditors, SGV & Co., upon the recommendation of the Audit Committee.

Upon motion duly made and seconded, the stockholders approved the reappointment of SGV & Co. as the Company's external auditors for fiscal year 2018.

The breakdown of the votes cast on this matter was as follows:

Votes in favor	-	2,334,413,270
Votes against	-	2,494,000
Abstentions	-	Nil

The Chairman of the Meeting accordingly declared SGV & Co. reappointed as external auditors of the Company for the year 2018.

VIII. OTHER MATTERS

The Chairman of the Meeting then opened the floor for questions from the stockholders.

A shareholder, Mr. Ernesto Naval III, asked whether Management sees any impact from the Chinese and other tourist in the Company's stores. Mr. Huang replied that the Company is indeed seeing said impact with droves of mainland Chinese and Korean tourists. At present, there has been an increase in mainland Chinese shoppers seen in the Company's stores which are not from tour groups.

Another shareholder, Mr. Carlwin Ong, asked when the Company is planning to conclude its store rationalization program and what can the shareholders expect in terms of expansion in 2018 and 2019. Mr. Huang answered that the Company is expecting to conclude its store rationalization program within 2018. The Company is targeting to open an additional 2,500 square meters of store area. As far as opening new stores, the Company will open West Elm in Bonifacio Global City Central Square, Swarovski, Estee Lauder, Clinique, and Tory Burch.

Shareholder, Ms. Michelle Duguil, stated that it was mentioned that SSI would like to expand its food business. She inquired as to what types of restaurants the Company is planning to bring in. Mr. Huang said that the Company is not allowed to disclose anything as of the moment. All he can disclose is that the Company is working with quick/fast food and casual dining food concepts.

A shareholder inquired if there is a possibility that the Group will be sold to Robinsons Retail Holdings, Inc. Mr. Huang explained that Rustan's Supercenters, Inc. is a totally separate entity from the Company. He said that there is currently no plan to sell the Company to Robinsons Retail Holdings, Inc.

The same shareholder then inquired about the sale of a subsidiary of the Company, namely FamilyMart. Mr. Huang explained that the Company used to own shares in Philippine FamilyMart CVS, Inc., but divested its shares in Philippine FamilyMart, together with its joint venture partners, Japan FamilyMart and Ayala Land, last January 2018, with the intention of focusing on the Company's core business of mid-to high-level market retailing and food segments. He stated that at present the Company owns the following food businesses: SaladStop!, TWG and Central Kitchen. The Company is likewise working on a couple of new food concepts to be launched by early 2019. The shareholder then asked whether there is any intention to include Starbucks under the Company. Mr. Huang said that there is no plan to do so.

A shareholder noted that there has been a decline in selling area since 2016. He inquired about the preference of the Company to do store closings on a staggered basis rather than at one time. Mr. Huang explained that as he mentioned in his presentation, the store rationalization program of the Company is expected to be concluded by 2018. He said that the reasons for staggering the closing of stores relate to ongoing lease obligations, outstanding inventory and other obligations and commitments to the different brands carried by the Company.

The same shareholder thereafter asked how the projected total store area for 2018 compares to the previous years. Ms. Ma. Margarita Atienza, Vice President - Investor Relations and Compliance Officer,

said that in 2017, the net closure was around 9,000 square meters. However, the decline in net income is not due to the store rationalization program or closure of stores. She emphasized that the Company believes that the closure of underperforming stores has a positive effect on the financial position of the company, resulting in reduced operating expenses and a higher operating margin for the Company. In any case, she reiterated that the store rationalization program will be completed by 2018.

A Shareholder, Mr. Pacifico Tacub, asked about the history of the Company and the Philippine economy. Specifically, he asked about the effect of the Philippine economy on the revenues of the Company. Mr. Huang explained that the Company's revenues are based largely on consumer spending. For as long as the Philippine economy is buoyant, the demand for the Company's products and services remain positive, as seen in the second half of 2017 and first half of 2018. The headwinds that are expected in 2018 are the continued weakness of the Philippine Peso and inflation. He then noted that there have been instances in the past wherein the Philippine Peso weakened and the core customer base travelled less and shopped locally even more, having a positive effect on the Company's sales.

IX. ADJOURNMENT

There being no further business to transact, the meeting was, upon motion made and duly seconded, adjourned.

CERTIFIED CORRECT:

MA. ALICIA G. PICAZO-SAN JUAN
Corporate Secretary

ATTESTED BY:

ANTHONY T. HUANG
Chairperson of the Meeting