

MINUTES OF THE ANNUAL MEETING
OF STOCKHOLDERS

SSI GROUP, INC.

Held on 26 June 2019, 9:00 a.m.
at the Rigodon Ballroom
Manila Peninsula
Makati City

DIRECTORS PRESENT:

ZENAIDA R. TANTOCO
ANTHONY T. HUANG
BIENVENIDO V. TANTOCO III
MA. TERESA R. TANTOCO
EDUARDO T. LOPEZ III
EDGARDO LUIS PEDRO T. PINEDA
CARLO L. KATIGBAK (INDEPENDENT DIRECTOR)
JOSE TEODORO K. LIMCAOCO (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	2,370,534,008
Percentage of Shares Represented	71.651%

I. CALL TO ORDER

The Chairperson, Ms. Zenaida R. Tantoco 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 Chairperson, 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 15 May 2019, 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 2,370,534,008 shares, representing 71.651% 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 18 June 2018 in its entirety.

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

Votes in favor	-	2,336,907,270 (100.00% of votes cast)
Votes against	-	Nil
Abstentions	-	Nil

IV. APPROVAL OF THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018

The President, Mr. Anthony T. Huang, reported on the financial condition and results of operations of the Company for the year 2018. The Corporate Secretary noted that copies of the Annual Report for the year ended 31 December 2018 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 2018 was a very strong year for the Company as it started to fully benefit from the optimization strategies that it first began to put in place at the end of 2016. Over the past two years the company has been working to strengthen its developed brands and locations, optimize its store network, expense base and cashflow generation capabilities, and lay the groundwork for the further expansion of its food and e-commerce businesses.

Mr. Huang said that against the backdrop of a volatile peso and higher interest rates, the Company achieved record same store sales growth of 12%, the highest over the past five years, while also reducing its OPEX to expense ratio to the lowest level in five years, and at the same time generating significant levels of operating cashflow.

For the year 2018, the Company achieved record high sales of Php20.2 billion. Recurring core income growth was at 11% at Php725 million and net income growth at 121% increase at Php608 million.

Store network at the end of 2018 consisted of 596 stores covering 120,000 sq.m. The Company's stores continue to be located in the country's prime, developed malls, ensuring that SSI is accessible to its target customers and is present in their lives.

As part of its store rationalization program the Company closed around 11,700 sq.m. of developmental stores while at the same time opening more than 2,500 sq.m. of new stores for established brands such as Coach, Tory Burch and West Elm. The Company continues to generate efficiencies in 2019, with the productivity of the Group's store network increasing by 18% to Php168,000 per square meter.

Mr. Huang reported that in line with the Company's focus on the expansion of its e-commerce business, the Company currently has 7 e-commerce sites. The Company will be continuing its e-commerce push in 2019 and expect to open at least 10 new sites for brands such as Zara, Lush, Springfield, Cortefiel, Women's Secret, Nine West, Calvin Klein and Steve Madden. It will also be launching a new marketplace site for Beauty Bar and a marketplace for SSI brands that do not have mono brand sites. The medium-term goal for the Group is to align the contribution of its e-commerce sales to total revenue with industry averages. The e-commerce and food expansions are intended to complement its core retailing business while at the same time leveraging on the unique strengths that are a result of its brand portfolio, brand relationships and store network.

In 2019, the Group attained Economic Dividends for Gender Equality or EDGE Certification. EDGE Certification is considered the leading global business certification standard for gender equality. As a member of the Philippine Business Coalition for Women Empowerment, and given that majority of the Company's employees are women, it is proud to be recognized for its work in creating an optimal workplace for all genders. The Group was also recognized as the Best Small Cap Company in the Philippines by Finance Asia.

The Group generated revenues of Php20.2 billion, an increase of 10% despite a 7% decline in total floor area.

There was strong growth for the Company's luxury and bridge business with top line growth of 27%. The casual wear business also performed strongly with revenues increasing by 18%. Fast fashion also turned in a solid performance with top line growth of 2%, as against a 7% decrease in selling area.

Reflecting that 2018 was a turning point for the Group, increased revenues combined with lower operating expenses, resulted in net income of Php608 million, an increase of 121%, while core recurring income was at Php725 million, an increase of 11%.

The Company also benefitted from efforts to optimize inventory levels with days inventory at the end of 2018 was at its lowest year-end level over the past five years. Lower days inventory combined with increasing profitability, allowed the Company to generate Php1.8 billion free cash flow, an 11% increase over the previous year.

Building on the momentum created in 2018, the Group continued to perform strongly during the first quarter of 2019. There was healthy top line growth of 7% driven by same sales growth of 9%. Operating margin improved by 90 basis points to 5.8%, and as a result, operating income for the quarter increased by 28% to Php286 million. Net income was Php171 million, an increase of 29%, while core recurring income was at Php184 million, a 35% increase.

Mr. Huang then announced that the Board of Directors has approved the declaration of Php50 million in cash dividends, or a dividend of 50/1000 Pesos (Php 0.050) per share. This reflects the Company's confidence that its well-executed rationalization program has provided it with a solid foundation for sustainable growth moving forward.

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 2018.

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

Votes in favor	-	2,364,582,963 (99.84% of votes cast)
Votes against	-	Nil
Abstentions	-	3,714,000

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 18 June 2018, 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	-	2,364,582,963 (99.84% of votes cast)
Votes against	-	Nil
Abstentions	-	3,714,000

VI. ELECTION OF DIRECTORS

At the request of the Chairperson, the Corporate Secretary reported that the following qualified individuals were duly nominated for election as directors of the Company for the year 2019 to 2020 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 2019 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	2,342,819,996	25,476,967	0
Anthony T. Huang	2,259,067,200	218,459,526	0
Ma. Teresa R. Tantoco	2,281,416,167	86,880,796	0
Ma. Elena T. Valbuena	2,275,055,200	93,241,763	0
Bienvenido V. Tantoco III	2,259,106,200	109,190,763	0
Eduardo T. Lopez III	2,275,055,200	93,241,763	0

Nominee	Votes In Favor	Votes Against	Abstentions
Edgardo Luis Pedro T. Pineda	2,274,858,200	93,438,763	0
Jose Teodoro K. Limcaoco (Independent Director)	2,343,608,996	21,895,000	0
Carlo L. Katigbak (Independent Director)	2,261,860,167	106,436,796	0

The Chairperson 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 2019

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 2019.

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

- Votes in favor - 2,368,296,963 (100.00% of votes cast)
- Votes against - Nil
- Abstentions - Nil

The Chairperson accordingly declared SGV & Co. reappointed as external auditors of the Company for the year 2019.

VIII. OTHER MATTERS

The Chairperson then opened the floor for questions from the stockholders.

A shareholder, Ms. Alyssa Cayaba, asked which of the Group's websites has been the best performing. Mr. Huang replied that the best performing site in terms of transactions is Payless.ph.

A shareholder, Mr. Ruben Jordan, congratulated the Board for deciding to "trim the fat", so to speak, which has contributed a lot to the improvement of the financial performance of the Company. He asked how the trade tensions ongoing between US and China will affect the Company's operations since majority of the Company's products are imported. Mr. Huang answered that the brands that will be most affected will be those with headquarters in the US. The Company relies on these brands as regards logistics and sourcing matters. A lot of the brands are still hopeful that a resolution or compromise will be reached. If it is not, the Company was assured that they have alternative sources lined up.

Another shareholder, Ms. Sara Marpuri, asked whether the Company is planning to launch a Group-wide loyalty program. Mr. Huang answered that it has softly launched the initial phases of the loyalty program called SSI Life which is a mobile app. There have been good sign-ups or enrollments despite minimal marketing. The Company will be rolling out this group-wide initiative soon.

Shareholder, Ms. Nadine Agustin, asked whether the Company will be closing more stores in 2019 with the conclusion of the Group's rationalization program. Mr. Huang said that historically on an annual basis there is a culling of stores and brands. Stores may continue to be closed as part of normal course of business.

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:

ZENaida R. TANTOCO
Chairperson