

MINUTES OF REGULAR MEETING OF THE
BOARD OF DIRECTORS OF COSCO CAPITAL, INC.
HELD ON DECEMBER 15, 2017, 3:00 P.M.
AT THE ACACIA AND MAHOGANY ROOM,
MANILA GOLF AND COUNTRY CLUB, MAKATI CITY

Present:

Lucio L. Co	<i>Chairman</i>
Susan P. Co	<i>Vice-Chairman</i>
Leonardo B. Dayao	<i>President</i>
Levi B. Labra	<i>Director</i>
Robert Y. Cokeng	<i>Independent Director</i>
Oscar S. Reyes	<i>Independent Director</i>
Atty. Bienvenido E. Laguesma	<i>Independent Director</i>

Also Present:

Teodoro A. Polinga	<i>Comptroller</i>
Maricel E. Mariano	<i>Finance Manager</i>
John Marson T. Hao	<i>Puregold Investor Relations</i>
Atty. Candy H. Dacanay-Datuon	<i>Asst. Corporate Secretary</i>
Emerlinda Llamado	<i>Internal Auditor</i>
Ana Katrina Dapo	<i>Assistant Audit Manager</i>
Katrina Marie P. Co	

Absent:

Atty. Eduardo F. Hernandez	<i>Director</i>
Roberto Juanchito T. Dispo	<i>Director</i>

1. CALL TO ORDER

The Chairman called the meeting to order after the Corporate Secretary certified that there was a quorum.

2. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

The minutes of the November 10, 2017 Board meeting was approved after a motion made by Mr. Reyes and duly seconded by Mr. Cokeng.

3. SUMMARY OF 2017 AUDIT PLAN

Ms. Llamado presented to the Board summary of the Audit Plan of the external auditor, RG Manabat & Company (KPMG). According to her, the external auditor will focus on six major areas: (1) Revenue and Receivables (2) Inventory Management (3) Investments (4) New Acquisitions (5) Intangible and Goodwill (6) Financial Reporting and Consolidation process.

The external auditor also plan to do Data Analytics and Lean Audit for Cosco Capital, Inc.

Stated in the tables below were the audit approach of the KPMG:

A. Interim and Year-end Audit Plan

Audit Focus Areas	Planned Audit Approach
Revenue and Receivables	- Analytical procedures and test of revenue transactions;

	<ul style="list-style-type: none"> - Recalculating of allowance for impairment loss; and - Review aging analysis.
Inventory Management	<ul style="list-style-type: none"> - Process understanding and controls evaluation; - Test of subsequent payments; and - Search of unrecorded liabilities.
Investments	<ul style="list-style-type: none"> - Impairment indicators review and assessment; - Proof of investments; and - Inspection of minutes of BDO meeting
New Acquisitions	<ul style="list-style-type: none"> - Inspection of minutes of meeting during the year; - Vouching of documents relative to acquisitions.
Intangible and Goodwill	<ul style="list-style-type: none"> - Perform retrospective review of assumptions used in previous year's discounted cash flow computation; - Impairment indicators review and assessment; and - Review the reasonableness of estimates and assumptions.
Financial Reporting and Consolidation Process	<ul style="list-style-type: none"> - Test of completeness of journal entries; - Confirmation of related party transactions and balances; - Non-controlling interest calculations review.

B. Other Plans

Areas	Details
Data and Analytics	<ul style="list-style-type: none"> - Enhances understanding of the business and its risks; - Promote innovation, measurable business value, and actionable insight.
Lean in Audit	<ul style="list-style-type: none"> - Dissects the procedures and assesses the steps that are efficient and add to customer value, and identifies the steps that do not

C. Deliverables and Timeline

Areas	Details
December 8, 2017	Presentation of 2017 Audit Plan to Audit Committee
November to December 2017	Interim Audit Fieldwork
January to March 2018	Year-end Audit Fieldwork
March 20, 2018	Final balances
March 2018 (4 th week)	Presentation of year-end audit results to Management and Audit Committee and Approval of financial statements as of and for the year ending 31 December 2017
April 2018 (1 st week)	Issuance of Audited Financial Statements and filing with regulatory agencies

As for the internal audit of the Company and its subsidiaries, Ms. Llamado presented the following:

Internal Audit Plans for Cosco Group focusing four companies:

- * Cosco Capital, Inc.
- * Liquigaz Philippines Corporation
- * Office Warehouse, Inc.
- * Real Estate Segment
 - Ellimac Prime Holdings, Inc.
 - Fertuna Holdings, Corp.
 - Patagonia Holdings, Corp.
 - Nation Realty, Inc.
 - NE Pacific Mall

INTERNAL AUDIT FOR COSCO HOLDINGS

Period	Department	Area	Activity	Duration (hrs)	
Q1	Human Resources	HR Processes	Business Process Review	90	
			Process Manual Preparation / Policy	90	
	Others	Data Privacy	Compliance Audit	36	
Q2	Information Technology	IT Process	Business Process Review	90	
		Email & Internet Access	Compliance Audit	36	
Q3	Finance and Admin	Petty Cash Fund, Reimbursement & Replenishment	Business Process Review	45	
			Process Manual Preparation/Policy	45	
			Spot Audit	16	
		Disbursements	Business Process Review	45	
			Process Manual Preparation/Policy	45	
Compliance Audit			36		
Bank Reconciliation		Financial Audit	36		
Q4		Asset Management & Requisition	Asset Management & Requisition	Business Process Review	45
				Process Manual Preparation/Policy	45
				Compliance Audit	36
	Depreciation & Amortization		Financial Audit	36	
TOTAL ESTIMATED HOURS				862	

INTERNAL AUDIT FOR LIQUIGAZ

Period	Area	Sub Process	Duration (hrs)
Q1 – Q2	Inventory – COS	Gas Imports/Exchange	1936
		Sale/Transfer	
		Donation (donations to PNP, DOLE, etc.)	
		Inventory Gain/Loss (Plant Site)	
		Inventory Gain/Loss (Customer Site)	
		Inventory Reading	
		Indicative Gas Cost	
		Valuation – lower of cost or NRV	
		Cut-off	
	Revenue – Receivable	Pricing	2112
		Acctg Estimates – revenue recognition	
		Acctg Estimates – provisions of ADA	
		Cut-off	
		Receivable (balances)	
	Receivable (transactions)		
Asset verification project	Asset Inventory of wholesale, autogas, commercial, cylinder segments	2112	

Routine

- Customer Installation & Pull-out
- OPEX, Trade & Non-Trade Payables

Unplanned Activities

- * Advisory Services to auditees
- * Management Investigation Requests

Period	Area	Sub Process	Duration (hrs)
Q3	Cash and Cash Equivalent	Cash Collections	1056
		Payment Transactions	
		Petty Cash Transactions & Balances	

		Revolving Fund Transactions				
		Cash Advance Transactions				
		Credit Card Transactions				
		Revaluation - Dollar denominated accounts - Forward contracts				
		Bank Reconciliation				
		Cash Position Report				
		Prepaid Expenses & Other Current Assets		Prepayments & COA – balances		
				Prepayments & OCA – transactions		
		Q4		Property, Plant, & Equipment	Acquisition	1584
					Depreciation	
Maintenance						
Transfer						
Disposal						
Property, Plant, & Equipment (PPE)	Sale					
	De-recognition					
	Impairment					
	Warehousing					
TOTAL ESTIMATED HOURS			6688			

INTERNAL AUDIT PLAN FOR REAL ESTATE SEGMENT

Period	Area	Activities	Duration
Q1	All significant process of all departments (NE Pacific)	Review of existing policies and guidelines (Identification of control gaps)	180
	Payroll (NE Pacific)	Review of Daily Time Record and Attendance Summary of all employees	216
	Accounts Receivable Management	Collectibility analysis	90
Q3	Cash Management	Review and analysis of receivables	180
		Cash Count	63
	Contract Management	Review of Bank Reconciliation reports	45
		Review of tenant contracts	90
		Review of monthly billing to tenants	135
Accounts Payable Management	Ocular inspection	90	
Q4	Asset Management	Review of Vendor list	36
	Accounts Payable Management	Physical asset count and review of depreciation	162
		Review reasonableness of accruals	45
	Cash Management	Checking of RFP/APV	45
TOTAL ESTIMATED HOURS			1683
Q2	All significant process of all departments (Ellimac/PRLMI)	Spot checking on Petty Cash Management and Liquidation	36
	Other Income	Review of existing policies and guidelines (Identification of control gaps)	180
		Review and reconciliation reports	90

Routine Audit

- Audit of Petty Cash Fund
- Pre-audit of Expenses/Reimbursements
- Audit of Payables/Disbursements
- Payroll Checking
- Contract Checking

INTERNAL AUDIT PLAN FOR OFFICE WAREHOUSE, INC.

PERIOD	AREA	DURATION (HRS)
Q1	Customer Deposit Receipt	152
	Security Controls	168
	3 rd Party Payroll Process	480
	Security Training	32
	Indirect Recruitment Process	56
Q2	Security Guidelines	168
	Sales Process	384
	Cash Management	208
	Credit & Collection Process	248
	Refund/Replacement Process	104
Q3	Refund/Replacement Process	136
	Supplies & Stock Management	272
	Payable Process	216
	Invoice Billing & Collection	136
	Cash Management	176
Q4	Supplies & Stock Management	376
	Repair Fees & Discount	96
	Return to Vendor	240
	Credit Card Process	104
	Customer Loyalty Program	96
TOTAL ESTIMATED HOURS		3848

INTERNAL AUDIT PLAN FOR COSCO GROUP

Period	Area	Activity	Duration (hrs)
Q1	Regulatory Requirements	Review the inventory of regulatory bodies and compliance requirements	180
		Ensure adherence to regulatory requirements	
	Internal Audit (IA)	Assess compliance with IA Standards	90
		Review & update IA Charter & IA Manual	
Skills Management	Training and professional development		
Data Privacy	Compliance Audit	90	
Q2	Risk Management	Assess risks, controls and best practices (Risk Assessment)	90
	Improvement Plans	Review audit procedures	180
		Improve quality of audit & outcomes	
		Implement action plan for external audit findings	45
Q3	Operational Effectiveness & Efficiency	Review business processes	360
		Ensure adherence to policy and procedures	180
Q4	Third Party Relationships	Review third party processes	90
TOTAL ESTIMATED HOURS			1305

OTHER AUDIT PLANS FOR 2018

A. Office Warehouse

- Strengthen Audit Department by hiring additional audit staff

B. Wines and Liquor Segment

- Walkthrough of business process
- Formulation and drafting of related business processes

- Hire audit member for Premier Wines

C. NE Pacific Mall

- Hire team members for Audit Department
- Walkthrough of the current business processes
- Revision and improvements of existing processes

4. PRESENTATION OF CAPITAL EXPENDITURE FOR 2018

Mr. Polinga presented to the Board the overview of capital expenditures of the Cosco Group in the year 2018, a total of up to P8.4 billion.

According to Mr. Polinga, Puregold will spend up to P4.4 billion for 25 new stores, 2 S&R warehouses, repairs and maintenance of Puregold stores, Technology upgrade, and a number of Lawson and QSR Pizza stores. He added that the real estate will consume about P3.5 billion for 8 properties located at Marikina, RFC Mall, Antipolo, Putatan, Laoag, General Trias and Tungkong Manga, and the new Cosco mall in Tagaytay.

Further, Liquigaz' investment in new cylinders, establishment of warehouse in Sariraya, Quezon, and building of small LPG stores amounting to a total of P415 Million and the Office Warehouse's organic expansion of 10 stores at P6 million each.

5. DECLARATION OF CASH DIVIDEND

Considering the unrestricted retained earnings of the Company from last year, Mr. Dayao moved to declare P0.06 regular cash dividend and P0.04 special cash dividend for all stockholders of the Company as of January 2, 2018 to be paid on January 26, 2018.

Upon due deliberation, the Board approved the motion as presented by Mr. Dayao.

6. RENEWAL OF THE BUY BACK PROGRAM

Upon motion duly seconded, the board approved the extension of the buy-back program of the company until December 14, 2018.

7. OTHER MATTERS :

A. 2018 BOARD MEETING SCHEDULE

February 9, 2018, Tuesday – 2018 Business Plans
 February 23, 2018, Friday – Annual Corporate Governance Seminar
 April 12, 2018, Thursday – 2017 Audited Financial Statements
 May 8, 2018, Tuesday – 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

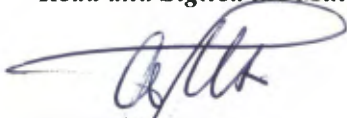
B. Authority of the Company's signatories and representatives:

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

There being no other business to transact, the meeting was adjourned at 4:00 PM.

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



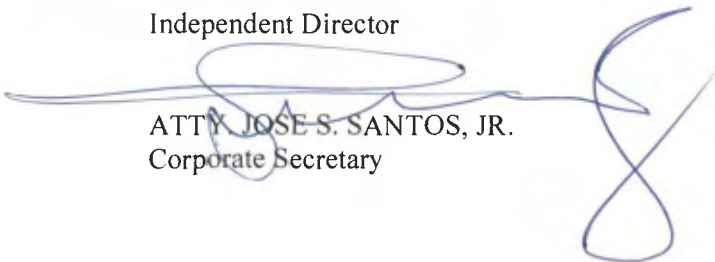
LUCIO L. CO
Chairman of the Board

SUSAN P. CO
Director



LEVI B. LABRA
Director

OSCAR S. REYES
Independent Director

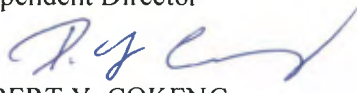


ATTY. JOSE S. SANTOS, JR.
Corporate Secretary



LEONARDO B. DAYAO
Director

ATTY. BIENVENIDO E. LAGUESMA
Independent Director



ROBERT Y. COKENG
Independent Director