



June 16, 2014

DISCLOSURE DEPARTMENT
Philippine Stock Exchange
Ayala Avenue, Makati City

Attention: Ms. Janet Encarnacion, Head-Disclosure Department

Re: Manila Bulletin (Internet Edition) dated June 13, 2014

In reply to your letter dated June 16, 2014 requesting for the clarification or confirmation of the news article published in Manila Bulletin (Internet Edition) dated June 13, 2014, which is quoted here below:

“Puregold to invest P2.5 billion to open network of 500 Lawson convenience stores

Puregold Price Club Inc. is investing up to P2.5 billion to open 500 convenience stores through a joint venture signed recently with Lawson Asia Pacific, Inc. and Lawson, Inc.

According to Puregold director Vincent Co, they plan to open 500 Lawson convenience stores by 2020 with a capital expenditure of P4 million to P5 million per store.

Puregold said in a disclosure to the Philippine Stock Exchange that it is venturing into the convenience store segment of the retail industry with the signing of a Joint Venture Agreement with the Lawson group.

The agreement will allow Puregold to build and operate Lawson convenience stores within a period of seven years.

Puregold said this is a “natural extension of PGOLD’s presence in the local retail landscape.” Under the agreement, 70 percent of the investment will come from Puregold and 30 percent from Lawson.

Aside from this new venture, Puregold is also planning to acquire the Co Family’s Puregold-Duty Free stores in the Clark and Subic Bay freeports.

Puregold president Leonardo Dayao said they expect to have the consolidation completed within the year as the company looks to capitalize on the synergy that is created by having a single purchasing for all the businesses.

“It’s a plan. We have formally decided to pursue the plan. Before we always say in time. I think this is the right time to consolidate the food supermarket into Puregold and that includes the Duty Free Shop,” said Dayao.

On the average the two Duty Free shops generate sales of about P200 million a month, which amounts to P2.4 billion in a year’s time.

The Duty Free is a business that sells products that are stripped of tariff and thus have higher margins compared to the Co’s other businesses.

However, Dayao said it doesn’t have the repeat-purchase that characterizes buyers in Puregold’s other businesses like its flagship Puregold store chains and the membership store S&R.

Dayao said Puregold will tap third party valuation experts to come up with an independent study of Duty Free’s valuation. The consolidation may be done either through a share-swap, cash, or a combination of the two.

We confirm the statement of our Director, Mr. Vincent Co, on the convenient stores project.

Thank you.

Very truly yours,

Atty. Candice D. Dayao-Datuon
Assistant Corporate Secretary