

MEGAWORLD CORPORATION
MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS
18 July 2013
Grand Ballroom, Eastwood Richmond Hotel
17 Orchard Road, Eastwood Ciy, Bagumbayan, Quezon City

Board Attendance - Present:

Andrew L. Tan	-	Chairman of the Board Member, Audit Committee
Kingson U. Sian	-	Director Chairman, Compensation and Remuneration Committee
Enrique Santos L. Sy	-	Director Chairman, Nomination Committee
Miguel B. Varela	-	Vice Chairman of the Board Independent Director
Gerardo C. Garcia	-	Independent Director Chairman, Audit Committee Member, Nomination Committee, Compensation and Remuneration Committee
Roberto S. Guevara	-	Independent Director Member, Nomination Committee, Audit Committee

I. CALL TO ORDER

Mr. Kingson U. Sian called the meeting to order at 9:15 a.m. and presided thereat. The Corporate Secretary, Atty. Edwin B. Maquinto, recorded the proceedings of the meeting.

II. PROOF OF NOTICE AND DETERMINATION OF QUORUM


The Corporate Secretary certified that all stockholders as of 07 June 2013, the record date, have been notified of the meeting. He also certified that there was a quorum to transact business for the meeting.

III. APPROVAL OF MINUTES OF THE PREVIOUS ANNUAL MEETING

Since copies of the minutes of the previous year's annual meeting were earlier distributed to all stockholders in attendance, the stockholders, upon motion made and duly seconded, dispensed with the reading of the minutes and approved the same.

IV. CHAIRMAN'S MESSAGE

The Chairman of the Board, Mr. Andrew L. Tan, delivered the Chairman's Message to Shareholders, as follows:

The year 2012 was indeed a year of growth, in more ways than one. For one thing, the year saw the Philippine economy grow by an impressive 6.6% due, mainly, to the robust performance of 

trade, services, real estate, and construction sectors. The economy actually did better than even the brightest forecasts from market analysts and media agencies, which was an achievement in itself.

The Philippine economy's impressive growth in 2012 was driven, more than anything else, by increased private sector activity and heightened consumer spending, particularly in the fourth quarter of the year as inward remittances from our overseas Filipino workers expectedly fueled holiday spending. An 8.7% surge in private investments for the year also helped drive economic activity and, consequently, growth.

Another piece of good news is that 2012 also saw an unprecedented boom in the Philippine real estate sector, something the country had not experienced in almost 20 years. According to reports from the National Statistical Coordination Board, the real estate sector posted a growth of 28.1% in the first quarter of the year alone, outpacing major Philippine industries and setting the tone for the sector's fine performance for the whole year.

Amid the backdrop, Megaworld turned in an equally impressive performance in 2012 as demand for our world-class townships and first-rate BPO office spaces continued to rise. During the year, consolidated net income amounted to P7.41 billion, a hefty 24% increase from the 2011 consolidated net income of P5.98 billion, net of the P2.8 billion non-recurring gain from the sale of investments.

Consolidated total revenues composed of real estate sales, rental income, hotel income, and other revenues also grew by 16%, excluding the 2011 non-recurring gain on sale investments. The bulk of generated consolidated revenues came from the sale of condominium units amounting to P18.17 billion in 2012, a 14% increase from P15.89 billion in 2011.

In turn, rental income for the year contributed 16% to our consolidated revenue figure and amounted to P4.99 billion, a huge 31% increase from the P3.83 billion in rental income in 2011. Contributing to the growth in rental income are the escalation and completion of additional leasing properties and the increased demand of our office spaces from BPO companies.

I am happy to report that Megaworld is still the leading BPO office developer and landlord in the country, a distinction that we have worked hard to achieve and maintain. As the Philippines continues to be one of the prime destinations of investors looking to put up job outsourcing firms, Megaworld also continues to provide first-class, modern office spaces that perfectly fit the needs of BPO companies. It is a testament to our foresight. Long before the actual BPO boom happened in our country, we were already putting up office spaces that were designed to effectively accommodate the modular office layouts of BPO firms. As of end-2012, we had a total BPO office space inventory of more than 450,000 square meters, the largest in the Philippines.

Indeed, we have been doing excellently in our BPO office space developer and landlord tasks. However, our flagship products are our fully integrated townships which, I am proud to say, continue to draw buyers and investors. Our pioneering "live-work-play-learn-shop" development concept has succeeded in making our communities stand out in terms of convenience and comfort. This has made our townships all the more attractive to Filipino families.

Our real estate projects have been highly successful in Metro Manila which is why we have decided to extend our reach and start building new communities in provincial growth centers, starting with Cebu and Iloilo.

In line with this, we recently launched a new township project in Cebu that is aptly named The Mactan Newtown, our first major community development outside Metro Manila. Mactan Newtown is a sprawling 25-hectare mega-community and, much like our other townships, effectively combines high-quality office spaces, luxury condominiums, leisure amenities, retail shops, a modern hotel, and a business park in one setting.

We also launched a major real estate project in Iloilo City, the business and commercial center of Western Visayas. We will call the township the Iloilo Business Park, a sprawling 72-hectare mixed-use development project in Mandurriao, Iloilo City. Upon completion, Iloilo Business Park will

have world-class hotels, a commercial area, a modern lifestyle mall, BPO office buildings, and a convention center that can accommodate thousands of people at a time.

Aside from these two provincial projects, we are also currently developing Uptown Bonifacio in Bonifacio Global City under a joint venture arrangement with the Bases Conversion and Development Authority. The 15-hectare Uptown Bonifacio is our newest township project in the area and is envisioned to be a large community of modern condominiums, offices, and retail establishments.

There is also the McKinley West project, which is a 34.5-hectare mixed-use community development located in the former Jusmag property in Fort Bonifacio, behind Forbes Park. It is one of the largest projects of Megaworld by far. We will be investing around P22 billion over the next 20 years to develop the huge McKinley West property, and around 60 percent of the entire area will be used for residential development projects, while the rest will be used for leisure amenities, access roads and wide open spaces with lush greenery. This project brings our total development portfolio in Bonifacio Global City to around 105 hectares.

All in all, Megaworld has initiated new major projects in 2012, complementing all the ongoing projects that have been launched previous years.

As we gear up for more challenges and opportunities in the years to come, we look back and see how far we have gone in our journey to build a solid foundation for long-term growth and sustainability. We have grown exponentially since our beginnings and have undeniably made our mark in the property development industry. We, however, are not resting on our laurels.

We are sure that the new projects we launched in 2012 and the existing communities we continuously expand will help us keep our position as the largest residential condominium property developer and the leading BPO office space developer and landlord in the country.

Moreover, we are excited about the prospects that a steadily improving economy brings. Not only will this encourage greater investor confidence in our country, it will also allow our target markets to be more capable of purchasing their dream homes. For our part, we will always be ready to provide whatever our target markets want and need.

In the coming year and beyond, we will continue to do what has worked for us in the past. We will strive to keep growing by launching new projects, tapping new markets, developing new land, and offering new conveniences. We will also continue to be on the lookout for new investment partners who share our vision of growth and development. Finally, we will make sure that Megaworld remains committed to reshaping and enhancing the Philippine landscape.

V. OPEN FORUM

Below is a summary of the questions asked and answers given during the open forum.

Question: Real estate inventory went up from 19 billion to 28 billion. So it seems that we have a lot of units which we were not able to sell. Kindly explain this because an inventory of 30% means that there is a risk that we'll have a lot of empty condominium units in the future.

Answer: Obviously, the inventory is also a function of the number of projects that we have launched. We have launched record projects in the last couple of years because of the growth in the real estate sector and the take up for those projects has been very good. At this point, we are not actually concerned with the levels because it's consistent with the pace of the growth of the economy. During the first half, we actually grew by 26% compared to last year and we reached a record of 38 billion of reservation sales. Based on this pace, we believe that by the end of this year, we could hit our target of around 70 billion of reservation sales. It is aligned with the growth of the market and we are just responding to the demand of the marketplace.

WB

Question: We have several projects in Makati such as the Greenbelt Excelsior, Greenbelt Chancellor and Greenbelt Madison. All are completed. Are all units sold?

Answer: Majority of the units are sold. I believe 90% of the units are sold. That's always been the hallmark of our business model – we typically would have to sell 70% of the units before we start the construction. By the time we finish the projects, we would have at least hit the 90 to 95% pre-sold mark.

Question: What is the financial risk if people buy condominium units and they are not able to pay upon turn over?

Answer: During the actual turn over of the units, they should've already paid us before we hand over the keys. Because of the low interest, banks are glad to provide the take-out mortgage for our buyers. Therefore, we don't actually have much financial risk because we will not turn over until we're fully paid. For a lot of instances, they pay us in full cash or they go to the bank and we help them get a loan.

Question: Most of the projects are managed by First Oceanic Property Management, Inc. How is its relationship to Megaworld Corporation?

Answer: It is an affiliate of the Company. The property management business affirms our commitment and responsibility to ensure that our projects are maintained and to give assurance to the buyers that we will be there with them all the way; rather than after making a sale, we pass it on to a third party to manage. We formed this company a couple of years back to continue the process of maintaining the various projects after the development.

Question: Last year, we decided on the Stock Option Plan for the employees. Is there any update after delegating it to the Compensation Committee?

Answer: We have already awarded those options to a number of our key employees. That's already in process. It is our way of rewarding a lot of our key employees who have been with us for a long time and who have shown dedication to the company.

Question: Approximately, how many options have been awarded?

Answer: As of today, roughly thirty key employees with not more than 2% or 200 million of the outstanding shares.

Question: According to newspaper reports, Megaworld Corporation acquired a controlling stake in Empire East Land Holdings, Inc. and Suntrust Home Developers, Inc. Is the acquisition going to result to a merger? And in this case, will there be a consolidation? Which company will rise to cover the three companies? Or will they be retained as separate entities?

Answer: Our plan is to keep them separate and to keep them separately listed. Nevertheless, with the increased stake, we can consolidate them back to Megaworld. We'll keep each of the companies independent.


Question: Can you tell us about the subscription of Megaworld to the increase in capital stock of Global-Estate Resorts, Inc.? How much did we get? And how much of GERI do we own?

Answer: After the acquisition, Megaworld owns around 22-23% of GERI; roughly an investment of around 5 billion Pesos.

Question: Will there be Cash Dividends this year for Megaworld?

Answer: Yes, we have already declared Cash Dividends.

Question: Will Megaworld de-list its subsidiaries such as GERI and EELHI in the future?

Answer: As mentioned earlier, we will keep each of those subsidiaries independent. 

Question: According to the papers, Megaworld is acquiring GERI, EELHI and Suntrust. How will the company finance all these acquisitions?

Answer: Megaworld has approximately 36 billion in cash as of the first half of this year. We have raised a bond last March which is around 250 million US Dollars. There is also an investment by Alliance Global Group, Inc., and that is around 10 billion. The total of all of those investments are below 8 billion thus, we can very well finance those internally.

Question: What is your plan for the next two years?

Answer: Our plan is to continue doing what we do best which is focusing on our core competence: creating communities and redefining the landscape of the Philippine real estate. We will continue to expand the "live-work-play" model outside Metro Manila. As mentioned earlier by our Chairman, we have two new projects: one in Cebu and another in Iloilo. Our focus in the mid-income sector will continue. Suntrust does a lot of affordable housing. The other sector that we would like to continue to focus on is BPO offices. By the end of this year, we'll have around 500,000 square meters of office space. We are planning to double our rental income from last year's 5 billion to 10 billion within the next five years.

Question: Are there any other major acquisitions of existing properties like those of Uniwide Group of Companies?

Answer: We don't publicly disclose any acquisitions we have in mind but to answer your question, we are not contemplating on acquiring the property that you mentioned.

Question: I would like to know the outlook of the company on the BPO sector and how could Megaworld capture the growth going forward?

Answer: On the BPO sector, we are targeting to double our rental income within the next 5 years hence, doubling of the space as well. The important thing to note is that these BPO office buildings are within our "live-work-play" communities; so there is no need to aggressively acquire more land – we just have to develop the landbank that we currently have.

Question: Just a clarification on the additional stakes in EELHI, GERI and Suntrust: Does this mean that we'll be able to consolidate the landbank of these different companies?

Answer: We'll keep each of the subsidiaries independent so that each of them could develop their own landbank. But by increasing the stakes, we can have better leverage of each other's strengths such as purchasing and all of the other things that we can synergize. Each of the landbanks is positioned for their respective markets.

Question: What are your future plans for the retail space?

Answer: By the end of this year, will have around 117,000 square meters of retail space. That will continue to grow as we build our "live-work-play" communities because retail is an important component of the community. Certainly, the residential space will have the biggest percentage in the community, followed by the office space and then retail which is the smallest yet at the same time, a very important component. We would also want to double that.

Question: The interest rates have been rising right now, at least on the treasury yields, and it may be inevitable. What do you see is the effect in the mortgage rates and how is that affecting your expectations on future sales? Is there any adverse effect yet on sales?

Answer: I think we will continue to have a low interest environment. Majority of it is a function of what is happening outside the Philippines specifically in the US. Our inflation has been kind of controlled, so we are expecting the low interest environment to continue. We are not too concerned about the effects in the mortgage market. There are no adverse effects.

VI. INCREASE IN AUTHORIZED CAPITAL STOCK

Upon motion made and duly seconded, the stockholders approved the following resolutions:

“RESOLVED, that the Corporation approve the increase in the authorized capital stock of the Corporation by TEN BILLION PESOS (PhP 10,000,000,000.00);

“RESOLVED, FURTHER, that the Corporation amend its Articles of Incorporation to reflect the increase in authorized capital stock from THIRTY BILLION TWO HUNDRED MILLION PESOS (PhP 30,200,000,000.00) consisting of THIRTY BILLION ONE HUNDRED FORTY MILLION (30,200,000,000) common shares each with a par value of ONE PESO (PhP 1.00) and SIX BILLION (6,000,000,000) preferred shares each with a par value of ONE CENTAVO (PhP 0.01) to FORTY BILLION TWO HUNDRED MILLION PESOS (PhP 40,200,000,000.00) consisting of FORTY BILLION ONE HUNDRED FORTY MILLION (40,140,000,000) common shares each with a par value of ONE PESO (PhP 1.00) and SIX BILLION (6,000,000,000) preferred shares each with a par value of ONE CENTAVO (PhP 0.01);”

“RESOLVED, FURTHER, that the Corporation accept the subscription to the increase by Alliance Global Group, Inc. for TWO BILLION FIVE HUNDRED MILLION (2,500,000,000) common shares at the price of FOUR PESOS AND 29/100 (PhP 4.29) per share under the terms approved by the Board of Directors.”

VII. APPOINTMENT OF EXTERNAL AUDITORS

The Presiding Officer informed the stockholders that the Audit Committee of the Board of Directors has recommended to the Board the engagement of Punongbayan & Araullo as external auditors of the Company for the audit of the Company's financial statements for the year ending 31 December 2013, and that the Board has approved such engagement.


Upon motion made and duly seconded, the stockholders approved the following resolution:

“RESOLVED, that the engagement of Punongbayan & Araullo as external auditors of the Company for the audit of the Company's financial statements for the year ending 31 December 2013, be approved.”

VIII. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MANAGEMENT

The Presiding Officer proposed for ratification all acts of the Board of Directors, Board Committees and Management during the period covering 1 January 2012 through 31 December 2012. These acts include resolutions duly adopted by the Board of Directors and/or its Board Committees, such as appointment of contract signatories, application for permits, licenses, clearances and accreditations for projects, registration of master deeds and restrictions covering projects, operation of bank accounts and other bank transactions, appointment of proxies and nominees, development and operation of projects, approval of plans and titling of projects, property acquisitions, dispositions and leases, declaration of cash dividend, and application for telecommunication subscriptions.

Upon motion made and duly seconded, the stockholders approved the following resolution:

“RESOLVED, that all acts of the Company's Board of Directors, Board Committees and Management and all resolutions adopted by them during the period covering 1 January 2012 through 31 December 2012, be ratified.” 

IX. ELECTION OF DIRECTORS

The Presiding Officer informed the stockholders that the Company will be electing seven (7) directors. He added that pursuant to the Securities Regulation Code and SRC Rule 38, in relation to SEC Memorandum Circular No. 6. Series of 2009 and its Revised Manual of Corporate Governance, the Company is mandated to elect at least two independent directors out of the seven directors.

Mr. Rafael Antonio Perez, Assistant Vice President of the Human Resources Division, presented, on behalf of the Nomination Committee, the final list of nominees to the Board of Directors, as follows: Gerardo C. Garcia, Roberto S. Guevara and Miguel B. Varela as independent directors; and Andrew L. Tan, Katherine L. Tan, Kingson U. Sian, and Mr. Enrique Santos L. Sy as regular directors.

It was then moved and duly seconded that the nominees for independent directors, namely Messrs. Gerardo C. Garcia, Roberto S. Guevara and Miguel B. Varela be elected as independent directors of the Corporation, and that Andrew L. Tan, Katherine L. Tan, Kingson U. Sian, and Enrique Santos L. Sy be elected as regular directors of the Company.

Since there were only seven nominees to the Board and considering the absence of objections, all the seven (7) nominees were declared elected to the Board of Directors.

X. ADJOURNMENT

The meeting was adjourned at 10:02 a.m.



CERTIFIED CORRECT:



EDWIN B. MAQUINTO
Corporate Secretary

ATTESTED BY:



KINGSON U. SIAN
Presiding Officer