

**MINUTES OF THE  
ANNUAL STOCKHOLDERS' MEETING OF  
MACROASIA CORPORATION**  
Held on 19 July 2019 at 3:00 P.M.  
at the Kachina Room, Century Park Hotel  
599 Pablo Ocampo Sr. Street, 1004 Malate, Manila

	<u>No. of Shares</u>
Total No. of Shares Present or Represented by Proxy	1,157,018,266 shares
Total No. of Outstanding Shares (Net of Treasury Shares)	1,583,898,993 shares

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**I. CALL TO ORDER**

On behalf of the Corporation's Chairman and CEO, Dr. Lucio C. Tan, Mr. Lucio K. Tan, Jr. called the meeting to order and presided over the same. The Corporate Secretary, Mr. Florentino M. Herrera III, recorded the minutes of the meeting.

Mr. Tan stated that the 2018 Annual Report of the Corporation, with the theme "Set for Sustainable Growth", represents the state of the Corporation today. He thanked the stockholders for their continuing support and motivation in the Corporation's continued growth.

**II. CERTIFICATION OF NOTICE**

Mr. Tan requested Mr. Herrera to show proof that the required notice of the meeting was duly sent to the stockholders.

Mr. Herrera stated that in accordance with the provisions of the Securities Regulation Code, written notice of the meeting was sent by mail and/or special messengerial service fifteen (15) business days prior to the date of the meeting to all stockholders of record as of 19 June 2019, the record date fixed by the Board of Directors of the Corporation for the meeting.

The Certification issued by Ms. Josephine E. Jolejole, First Vice-President of the Philippine National Bank Trust Banking Group, the Corporation's Stock Transfer Agent, is attached hereto as Annex "A".

Mr. Herrera thereafter certified that notice of the meeting was duly sent to the stockholders.

**III. CERTIFICATION OF QUORUM**

Mr. Tan then requested Mr. Herrera to certify the existence of a quorum for the valid transaction of business at today's meeting.

Mr. Herrera stated that based on the attendance record and the proxies and/or powers of attorney on hand, stockholders owning One Billion One Hundred Fifty Seven Million Eighteen Thousand Two Hundred Sixty Six (1,157,018,266) shares representing 73.04% of the total outstanding shares of the Corporation were present or represented in the meeting.

Mr. Herrera stated that the proxy forms of Citibank, Standard Chartered Bank and Deutsche Bank AG Manila Branch have voting instructions on certain agenda items.

Mr. Herrera thereafter certified that a quorum existed for the valid transaction of business.

**IV. APPROVAL OF THE MINUTES OF THE 2018 ANNUAL STOCKHOLDERS' MEETING HELD ON 20 JULY 2018**

Mr. Tan then proceeded to the next item in the Agenda, which pertains to the approval of the Minutes of the Annual Stockholders' Meeting ("ASM") held on 20 July 2018.

Mr. Maximo C. Flores moved for the approval of the Minutes of the ASM held on 20 July 2018. Mr. Cesar C. Garcia duly seconded the motion.

The Corporate Secretary was then instructed to reflect in the Minutes the votes cast, as follows:

For	Against	Abstain
1,153,132,566	----	3,885,700

**V. MANAGEMENT REPORT**

Mr. Joseph T. Chua, President and Chief Operating Officer, reported on the results of operations of the Corporation and its subsidiaries and presented the Business Outlook for 2019. A copy of the President’s Report is attached hereto as Annex “B”.

The Corporation’s Chief Financial Officer, Mr. Amador T. Sendin, thereafter presented the Financial Report for the year ended 31 December 2018. A copy of the Financial Report is attached hereto as Annex “C”.

After presentation of the aforesaid reports, Mr. Tan opened the floor for questions or points of clarification from the stockholders.

Since no questions were raised, Mr. Garcia moved for the notation and approval of the Annual Report for 2018. Mr. Flores duly seconded the motion.

There being no objections, the motion was approved, as follows:

**“RESOLVED**, That the Corporation’s Annual Report for 2018 be noted and approved.”

The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

For	Against	Abstain
1,157,018,266	----	----

**VI. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

Mr. Tan presented for the approval of the stockholders the Audited Financial Statements of the Corporation for the year ended 31 December 2018.

Mr. Jose Norberto B. Sanchez moved for the approval of the Audited Financial Statements of the Corporation for the year ended 31 December 2018. Ms. Isabella P. Palma duly seconded the motion.

There being no objections, the motion was approved, as follows:

**“RESOLVED,** That the Audited Financial Statements of the Corporation for the year ending 31 December 2018 be, as it is hereby approved.”

The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

For	Against	Abstain
1,157,018,266	----	----

**VII. AMENDMENT OF BY-LAWS TO CHANGE THE DATE OF THE ANNUAL STOCKHOLDERS’ MEETING**

Mr. Tan presented for the approval of the stockholders the amendment of the By-Laws of the Corporation to change the date of the Annual Stockholders’ Meeting.

Mr. Tan then requested Mr. Herrera to explain this item to the stockholders.

Mr. Herrera informed the stockholders that the Board of Directors, during its meeting held on 14 March 2019, approved the amendment to Article II, Section 2.01 of the By-Laws of the Corporation to change the date of the Annual Stockholders’ Meeting from “3rd Friday of July” to “2nd Friday of May”.

Mr. Alfredo Abueg, Jr., a stockholder, inquired why the Annual Stockholder’s Meeting was being moved to the 2<sup>nd</sup> Friday of May.

Mr. Sendin explained that the purpose of the earlier date of the Annual Stockholders’ Meeting was to make the Annual Report more relevant to the stockholders. He explained that the Annual Report is submitted to the Securities and Exchange Commission on or before the 15<sup>th</sup> day of April every year. Thus, moving the date of the Annual Stockholders’ Meeting closer to the date of submission of the Annual Report will be beneficial to the stockholders.

Mr. Abueg commented that most of the stockholders have investments in other listed companies. As such, he informed the Board of Directors that they will find it difficult to attend more than one stockholders’ meeting in April and May.

He also commented that it would be more beneficial to the stockholders if, apart from mailing and posting the Annual Report on

the Corporation's website, actual hard copies should be given to the stockholders before the start of the meeting.

He thereafter congratulated the Board of Directors and Management for the Corporation's financial performance in the past two (2) years, and stated that the stockholders were looking forward to the continued growth of the Corporation.

Mr. Herrera, speaking on behalf of the Chairman of the meeting, stated that the Board would consider changing the date of the Annual Stockholders Meeting. As a compromise, instead of changing the date of the Annual Stockholders' Meeting to the 2<sup>nd</sup> Friday of May, the Board may consider changing it to the last Friday of May.

Consequently, the approval by the stockholders of the change in the date of the Annual Stockholders' Meeting was deferred.

#### **VIII. APPROVAL, CONFIRMATION AND RATIFICATION OF ALL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT**

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Mr. Tan then proceeded to the next item on the Agenda, which pertains to the approval, confirmation and ratification of all acts, proceedings and resolutions of the Board of Directors and Management of the Corporation since the last Annual Stockholders' Meeting held on 20 July 2018.

Mr. Garcia moved for the approval, confirmation and ratification of all acts, proceedings and resolutions of the Board of Directors and Management of the Corporation since the last Annual Stockholders' Meeting held on 20 July 2018. Mr. Sanchez duly seconded the motion.

There being no objections, the motion was approved, as follows:

**"RESOLVED**, That all acts, proceedings and resolutions of the Board of Directors and of Management since the last Annual Stockholders' Meeting held on 20 July 2018 up to today's meeting be, as they are hereby approved, confirmed and ratified."

The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

For	Against	Abstain
1,157,018,266	----	----

## IX. ELECTION OF DIRECTORS

Mr. Tan stated that the Articles of Incorporation of the Corporation provides for eleven (11) directors. The Manual on Corporate Governance of the Corporation, on the other hand, provides that there shall be at least three (3) independent directors.

Mr. Tan then requested the Corporate Secretary to explain the procedure for the nomination and election of the directors.

Mr. Herrera explained that under the Corporation's By-Laws and Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Corporate Governance Committee. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least thirty (30) days before the date of the Annual Stockholders' Meeting.

The Corporate Governance Committee pre-screens the qualifications and thereafter prepares the Final List of Candidates. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors.

Mr. Herrera reported that the Corporate Governance Committee approved the following nominees for election as members of the Board of Directors of the Corporation for 2019-2020:

Dr. Lucio C. Tan  
Carmen K. Tan  
Lucio K. Tan, Jr.  
Michael G. Tan  
Joseph T. Chua  
Vivienne K. Tan  
Rex Vincent Young  
Johnip G. Cua (Independent Director)  
Ben C. Tiu (Independent Director)  
Marixi R. Prieto (Independent Director)  
Samuel C. Uy (Independent Director)

Upon motion made by Mr. Flores which was duly seconded by Mr. Sanchez, and taking into consideration the voting instructions received through proxy forms submitted to the Office of the Corporate Secretary, Mr. Tan declared the Eleven (11) nominees with the highest number of votes as the duly elected members of the Board of Directors until the election and qualification of their successors.

The Corporate Secretary was instructed to reflect in the Minutes the tabulation of votes, as follows:

<b>Nominees</b>	<b>For</b>	<b>Against</b>
Dr. Lucio C. Tan	1,141,207,641	15,810,625
Carmen K. Tan	1,142,966,891	14,051,375
Lucio K. Tan, Jr.	1,141,207,641	15,810,625
Michael G. Tan	1,141,207,641	15,810,625
Joseph T. Chua	1,150,336,526	6,681,740
Vivienne K. Tan	1,142,966,891	14,051,375
Rex Vincent Young	1,142,966,891	14,051,375
Johnip G. Cua (Independent Director)	1,149,648,631	7,369,635
Ben C. Tiu (Independent Director)	1,157,018,266	-----
Marixi R. Prieto (Independent Director)	1,157,018,266	-----
Samuel C. Uy (Independent Director)	1,157,018,266	-----

**X. APPOINTMENT OF EXTERNAL AUDITOR**

Mr. Tan then proceeded to the appointment of the external auditor of the Corporation for the ensuing year.

Mr. Tan stated that the Audit Committee recommended the reappointment of SGV & Co. as the external auditor of the Corporation for the ensuing year.

Mr. Baluca nominated SGV & Co. as the external auditor of the Corporation for the ensuing year and thereafter moved that the nomination be closed. Mr. Garcia duly seconded the nomination.

There being no objections, the Corporate Secretary was thereafter instructed to reflect in the Minutes that the reappointment of SGV was unanimously approved:

For	Against	Abstain
1,157,018,266	----	----

**XI. ADJOURNMENT**

There being no other matters to discuss, upon motion made by Mr. Sanchez and duly seconded by Ms. Palma, the Annual Stockholders' Meeting was adjourned.

CERTIFIED CORRECT:

**FLORENTINO M. HERRERA III**  
Corporate Secretary

**ATTEST:**

**LUCIO K. TAN, JR.**  
Chairman of the Meeting

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LTC 2019/MAC



Annex "A"



**Philippine National Bank**  
**Trust Banking Group**  
Trunk Lines: 526-3131 / 891-6040 local 2307

July 24, 2019


MACROASIA CORPORATION  
12/F Allied Bank Center  
6754 Ayala Avenue, Makati City

Attention : MR. AMADOR T. SENDIN  
Chief Financial Officer  
VP- Administration & Business Development

Gentlemen :

Relative to Annual Stockholders' Meeting of MacroAsia Corporation last July 19, 2019, we hereby certify that the CDs containing Shareholder Information package together with Proxy Form were sent to 123 stockholders and 118 PCD Beneficial Owners as of record date, June 21, 2019.

Very truly yours,

  
JOSEPHINE E. JOLEJOLE  
First Vice-President

**ANNUAL REPORT 2018**

**PRESIDENT AND COO’s MESSAGE**

**Dear Stakeholders of MacroAsia,**

MacroAsia is set for sustainable growth! When I reviewed our quarterly results for the last four years up to the end of 2018, our thrust for expansion in our core businesses and new investments is paying off.

For the first time in our history, in the last quarter of 2018, our consolidated net revenues for 3 months breached the ₱1 billion level. Beyond this achievement, the current operating indicators point to sustainability and continuity of this revenue growth.

Our consolidated net revenues for 2018 was ₱3.6 billion, 23% higher than the ₱2.9 billion booked in 2017. However, 2018 net income was at ₱1.08 billion, only 2% higher though than the ₱1.06 billion in 2017. Our subsidiaries had to carry more costs on a temporary basis for our expansion activities that subsequently generated revenues after a few months. But more importantly, this operational expansion will benefit our financials in 2019 and beyond.

I cite the following key developments in 2018 that will have a long-term impact for our Group:

**1. Aircraft Maintenance, Repair and Overhaul (MRO)**

As Lufthansa Technik Philippines (LTP) celebrated its 18<sup>th</sup> year of operations in 2018, LTP started planning for a new hangar facility in the MacroAsia Special Ecozone in NAIA, for both its base and line maintenance business. As this hangar will have the size of an A380 hangar, it will be able to accommodate multiple aircrafts at the same time.

In 2018, LTP also set up line maintenance stations in Kalibo and Puerto Princesa, further complementing its presence in NAIA, Clark, Cebu and Davao.

Aside from British Airways and Qantas, LTP also secured in 2018, new long-term contracts for A380 repairs for Korean Air, Asiana Airlines and Lufthansa spanning 3 to 10 years.

In 2018, PAL strengthened its partnership with LTP, as PAL expanded its decade-long line maintenance contract to cover new planes like the A350 and A321neo.

LTP also became the sole MRO provider for the Airbus fleet of PAL Express, starting August 2018. LTP took over the line maintenance servicing for the 12 Airbus A320s of PALEx in 2018.

## **2. Catering**

MacroAsia Catering (MACS) gained 3 new clients in 2018, bringing its roster of foreign airline clients to 18. Two new clients were gained from a catering competitor while the third client is a new airline flying into NAIA.

In 2018, MACS started work to secure Philippine Airlines and Cebu Pacific as key catering accounts. These accounts will almost double the catering revenues of MACS, as they are set to be serviced in early 2019.

A new subsidiary, MacroAsia SATS Food Services, Inc., will operate a new commissary located in Muntinlupa City. This food production facility has a footprint of 7,706 square meters, with a design capacity of 25,000 meals per day. This will serve mostly the requirements of institutional clients or non-airline accounts, including quick-service restaurants, banks, BPOs and others.

## **3. Ground Handling**

Before 2017, MacroAsia Airport Services (MASCORP) was present in 7 airport locations. By end of 2018, MASCORP is entrenched in 32 airport locations all over the Philippines. Today, MASCORP is the biggest groundhandling company in the country, in terms of manpower, flights and stations handled.

In 2018, MASCORP acquired 9 new clients, 8 of which came from a competitor whose concession ended during the year. With the growth in stations and account portfolio, MASCORP posted revenues of ₱1.4 billion, a 40% increase from 2017.

By the end of 2018, MASCORP started preparations to fully become the sole groundhandling company of PAL and PALEx in NAIA and Cebu, with full transition being targeted during the first quarter of 2019.

## **4. Water Businesses**

MacroAsia started its water concessions only in March 2016. By end of 2018, MacroAsia already has water operations in Nueva Vizcaya, Cavite, Boracay Island, Bulacan, Albay and Iloilo through various subsidiaries and an associated company.

In 2018, operations in Boracay Island through our subsidiary, Boracay Tubi (BTSI), was affected by the government's order to close the island for tourism from April until October 2018. When the island was reopened, we were able to gain market share from our competitor. BTSI was able to sign long-term supply contracts with many hotels, to include the operations and maintenance of their sewage treatment plants. During the closure of the island, the government mandated that hotels with 40 rooms and up should treat their wastewater at source

by constructing their own individual STPs. BTSI was able to help build more than 70 STPs for various clients in 2018.

In October 2018, MacroAsia acquired 60% of Summa Water Resources, Inc., an Original Equipment Manufacturer (OEM) supplying a full line of standard and fully customizable water and wastewater treatment systems using membrane technologies like Ultrafiltration and Reverse Osmosis Systems. This company also operates and manages Bulk Water Projects in Bulacan, Albay and Iloilo.

This company is now building the water treatment plant for MacroAsia's Maragondon Bulk Water Project in Cavite.

Considering the opportunities that abound, we envision to grow further our water businesses with the mindset to eventually spin off and list this segment separately at the Philippine Stock Exchange within three years.

In the meantime, these water businesses will provide the diversification needed to boost MacroAsia's growth outside of the aviation sector. Together with the aviation businesses, we foresee a strong base to generate shareholder value.

### **Business Outlook In 2019**

Overall, tourism will continue to be vibrant, as more travelers are benefitting from prevailing competitive fare offerings of airlines. More concretely, with our operating developments as reported, we are optimistic and excited in 2019.

Airline catering and ground handling revenues will grow in unprecedented levels, considering the new clients that were secured. Our MRO business will also see growth in revenues due to the new contracts that were signed. Our revenues from the water businesses will similarly expand, because of the bigger account portfolio that we gained in several provinces.

### **Our Sense of Commitment and Gratitude**

Our operating teams have consistently strived to serve professionally and passionately, often exceeding service standards to our customers' delight. Our passion to generate value for our stakeholders runs high.

With the support of our shareholders, we have marched onwards to face the operating challenges, 24/7.

On behalf of management and our teams, I thank our shareholders and the investing public for inspiring us to give our best always.

Sincerely yours,

**Joseph T. Chua**  
President and COO

### CFO’s Message

Good afternoon ladies and gentlemen.

Our consolidated revenues in 2018 grew by 23% to ₱3.6 billion, coming from ₱2.9 billion in 2017. Consolidated net income for 2018 was ₱1.083 billion, only 2% higher than the ₱1.063 billion in 2017. Our 2018 costs grew fast, driven by rapid business expansion but also pressed at the same time by higher prices and commodity supply issues in 2018. In the 3<sup>rd</sup> quarter of 2018, we saw inflation range from 6.4% to 6.7%, as our teams also had to contend with high prices and shortage of items like fruits, veggies and other commodities brought about by weather disturbances, manufacturing or supply chain woes.

Our inflight kitchen unit in NAIA booked revenues that comprise 46% of our total consolidated revenues. With majority of the foreign airlines in NAIA as part of the client portfolio, MacroAsia Catering revenues grew by 8%, from ₱1.54 billion in 2017 to ₱1.66 billion, out of 3.6 million meals delivered to these clients in 2018. Our drive to get new clients last year was tempered by physical facility constraints, as meal production had already exceeded the design capacity of our NAIA kitchen.

The revenues from ground-handling and aviation services comprise 41% of our consolidated revenues. Our ground handling activities generated ₱1.46 billion, a 41% increase from ₱1.03 billion in 2017. MacroAsia Airport Services, our ground handling unit, gained 8 new airline clients last year, and has established its presence in 32 airport stations in 2018, 3 more from the 29 stations in 2017.

Revenues from water operations which contributed 8% of the total consolidated revenues increased by 90%, from ₱142.65 million in 2017 to ₱271.04 million in 2018. While our subsidiary Boracay Tubi was impacted by the closure of Boracay Island from April to October last year, our other water companies like Naic Water, Solano Water and our newly acquired subsidiary, Summa Water drove this revenue growth.

Total direct costs in 2018 amounted to ₱2.77 billion, posting an increase of ₱620.41 million (+29%) from 2017. We saw higher labor costs in our groundhandling and catering subsidiaries, driven by higher staff numbers and wage increases. The construction costs of sewage treatment plants or STPs by Boracay Tubi also accounted for significant direct cost increases.

Consolidated operating expenses grew by ₱109.39 million (+18%) from last year’s ₱614.51 million due to higher personnel costs of indirect staff, start-up costs for new projects, and higher taxes due to more business activities and the Train Law changes on certain tax rates.

Share in net income of associates amounting to ₱1,059.23 million increased by ₱91.29 (+9%) million, representing MAC's share in the net operating result of its associates (Lufthansa Technik Philippines (LTP, 49% MAC) and Cebu Pacific Catering Services (CPCS, 40% MAC).

For 2018, LTP registered a net income of ₱2.06 billion from which we share 49% or ₱1,011.68 million. In 2017, MAC's share in LTP's income is ₱928.40 million, out of ₱1.90 billion. CPCS - our catering associate in Cebu, reflected a 20% increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱47.55 million, compared to last year's ₱39.54 million.

The interest income of ₱11.08 million pertain to income earned from short-term investments. Financing charges increased from ₱9.39 million in 2017 to ₱26.45 million in 2018, aligned with the increase in notes payable of the Group. Other income and charges is higher at ₱57.18 million against the ₱44.29 million in 2017 mainly due to foreign exchange gains.

### **Financial Position**

As of December 31, 2018, our consolidated total assets stood at ₱8.16 billion, posting a ₱1.66 billion increase (+26%) from last year's ₱6.50 billion.

Cash and cash equivalents stood at ₱675.20 million, ₱238.00 million (-26%) lower than 2017 because cash was used to start new companies and expand the operations of MASCORP and BTSI. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows.

Receivables at ₱900.42 million grew by ₱202.60 million (+29%) due to the expansion of our operations and client portfolio. We foresee no collection issues for this account.

Investments in associates are accounted for under the equity method of accounting. This account posted an increase of ₱449.47 million (+22%), from ₱2.07 billion in 2017 to ₱2.51 billion in 2018.

The group's property and equipment is booked at ₱2.06 billion, an increase of ₱914.01 million from last year's ₱1.15 billion due to new acquisitions made by our subsidiaries.

Looking at the mix of our assets, liabilities and equity, we assess that our Group has a strong balance sheet, with no liquidity issues foreseen on the short-term, despite robust expansion programs that are underway in our catering, ground handling and water concession units.

### **Buyback Program**

On June 15, 2017, our Board allocated ₱210 million for a share buyback program, of which we used ₱126.80 million to buyback 10,198,700 shares. As of December 31, 2018, we have 26,794,700 treasury shares, costing on the average ₱6.58 per share.

**Dividends**

On March 22, 2018, the Board of Directors approved the declaration of 30% stock dividends equivalent to 368,146,293 shares that was paid last September 12, 2018 to stockholders of record as of August 17, 2018. The stock dividend declaration was approved by the shareholders in its Annual Shareholders' Meeting held on July 20, 2018.

**2019 Outlook**

We reported our first quarter 2019 consolidated net income at ₱215 million, 8% lower than the ₱233 million booked in the first quarter 2018. This may appear disappointing to many, because our 1<sup>st</sup> quarter revenues at ₱1.06 billion was 33% higher than the 1<sup>st</sup> quarter revenues in 2018. However, we assured the investing public that our 1<sup>st</sup> quarter operations had front-loaded startup costs for massive revenue and income growth in our catering and ground handling businesses, new pilot school, and new food commissary in Muntinlupa City.

By now, as we are closing our 2<sup>nd</sup> quarter report, we see a 100% revenue growth in our 2019 Q2 revenues compared to Q2 last year, effectively offsetting the Q1 net income downturn. Although we have yet to finalize our 6-month closing, preliminary results indicate that our YTD net income in 2019 is at least 10% higher than same period last year, in line with our expectations.

The target of our operating teams is to collectively grow net income within the range of 20% year-on-year, plus or minus 3%. With the operating indicators at hand, and barring unforeseen severe events that will impact negatively in our operations in the coming months, we believe that 2019 will be a year that we will be within such target range of net income growth.

We thank you for supporting the MacroAsia team to grow further.