

**MINUTES OF THE  
ANNUAL STOCKHOLDERS' MEETING OF  
MACROASIA CORPORATION**  
Held on 17 July 2015 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	923,429,150 shares
Total No. of Outstanding Shares (Net of Treasury Shares)	1,233,404,000 shares

**I. CALL TO ORDER**

The Chairman, Mr. Washington Z. SyCip, called the meeting to order. Mr. Sycip then turned over the floor to Mr. Lucio K. Tan, Jr., who presided over the meeting.

The Corporate Secretary, Mr. Florentino M. Herrera III, recorded the minutes of the meeting.

**II. CERTIFICATION OF NOTICE**

Mr. Herrera stated that in accordance with Section 2.03 of Article II of the By-Laws of the Corporation and the provisions of the Securities Regulation Code, notices for the meeting were sent by mail and/or special messengerial service fifteen (15) days prior to the date of the meeting to all stockholders of record as of 15 June 2015, the record date fixed by the Board of Directors of the Corporation for the meeting.

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

Mr. Herrera certified that notices for the meeting were duly sent.

**III. CERTIFICATION OF QUORUM**

Mr. Herrera stated that based on the attendance record and the proxies and/or powers of attorney on hand, stockholders owning Nine Hundred Twenty Three Million Four Hundred Twenty Nine Thousand One Hundred Fifty (923,429,150) shares representing 74.86% of the outstanding capital stock of the Corporation were present or represented in the meeting.

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

**IV. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Mr. Tan then proceeded to the next item in the Agenda, which pertains to the reading and approval of the Minutes of the Annual Stockholders' Meeting held on 18 July 2014.

Upon motion duly made and seconded, the stockholders approved the Minutes of the Annual Stockholders' Meeting held on 18 July 2014.

**V. MANAGEMENT REPORT**

The Corporation's President, Mr. Joseph T. Chua, reported on the results of operations of the Corporation and its subsidiaries for the year ended 31 December 2014. A copy of the President's Report is attached hereto as Annex "B".

The Corporation's Chief Financial Officer, Mr. Amador T. Sendin, presented the Financial Report. A copy of the Financial Report is attached hereto as Annex "C".

After the foregoing discussion and upon motion duly made and seconded, the stockholders approved the President's Report and the Financial Report.

**VI. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

Upon motion duly made and seconded, the stockholders approved the Audited Financial Statements of the Corporation for the year ended 31 December 2014.

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

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 18 July 2014.

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

**“RESOLVED**, That all acts, proceedings and resolutions of the Board of Directors and of Management since the last Annual Stockholders’ Meeting held on 18 July 2014 up to today’s meeting be, as they are hereby approved, confirmed and ratified.”

**VIII. AMENDMENT OF ARTICLES OF INCORPORATION**

Mr. Herrera informed the stockholders that the Board of Directors approved the amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from nine (9) to eleven (11).

After discussion and upon motion duly made and seconded, the stockholders representing at least 2/3 of the outstanding capital stock of the Corporation, approved the following resolutions:

**“RESOLVED**, That the Sixth Article of the Articles of Incorporation of the Corporation be, as it is hereby amended to increase the number of directors from Nine (9) to Eleven (11);

**“RESOLVED FURTHER**, That the President, Corporate Secretary, and other proper officers of the Corporation be, as they are hereby authorized to sign, execute, deliver, and file any and all necessary documents with the Securities and Exchange Commission and perform all acts and deeds as may be necessary or appropriate to fully implement the foregoing resolution.”

**IX. AMENDMENT OF BY-LAWS**

Mr. Herrera informed the stockholders that the Board of Directors approved the following amendments to the By-Laws: (i) to reflect the abolition of the position of Vice-Chairman and in view thereof, the deletion of any and all references to the position of Vice-Chairman in Article II, Section 2.05 and Article V, Section 5.01 of the By-Laws; (ii) to include a provision in Article V of the By-Laws creating the position of Co Chairman; (iii) to reflect in Article V, Section 5.02 that the Chairman shall be the Chief Executive Officer of the Corporation and to specify his powers and duties; and (iv) to reflect in Article V, Section 5.03 reflect that the President shall be the Chief Operating Officer of the Corporation and to specify his powers and duties.

After discussion and upon motion duly made and seconded, the stockholders representing at least majority of the outstanding capital stock of the Corporation, approved the following resolutions:

**Article II, Section 2.05, Article V, Section 5.01  
and Article V, Section 5.02 (b)**

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**“RESOLVED**, That the By-Laws of the Corporation be, as it is hereby amended to delete any and all references to the position of Vice-Chairman in Article II, Section 2.05 and Article V, Section 5.01 of the By-laws;

**“RESOLVED FURTHER**, That the following provision be, as it is hereby incorporated as Article V, Section 5.02 (b) of the By-laws, creating the position of Co-Chairman:

*“Co-Chairman - The Co-Chairman shall perform the duties and responsibilities of the Chairman whenever the latter is unavailable.”*

**“RESOLVED FINALLY**, That the President, Corporate Secretary, and other proper officers of the Corporation be, as they are hereby authorized to sign, execute, deliver, and file any and all necessary documents with the Securities and Exchange Commission and perform all acts and deeds as may be necessary or appropriate to fully implement the foregoing resolutions.”

**Article V, Section 5.02 and Article V, Section 5.03**

**“RESOLVED**, That Article V, Section 5.02 of the By-Laws be, as it is hereby amended to reflect that the Chairman shall be the Chief Executive Officer of the Corporation and to specify his powers and duties;

**“RESOLVED FURTHER**, That Article V, Section 5.03 of the By-Laws be, as it is hereby amended to reflect that the President shall be the Chief Operating Officer of the Corporation and to specify his powers and duties;

**“RESOLVED FINALLY**, That the President, Corporate Secretary, and other proper officers of the Corporation be, as they are hereby authorized to sign, execute, deliver, and file any and all necessary documents with the Securities and Exchange Commission and perform all acts and deeds as may be necessary or appropriate to fully implement the foregoing resolutions.”

**X. ELECTION OF DIRECTORS**

Mr. Tan stated that the Articles of Incorporation provides for nine (9) directors, two (2) of whom are required to be Independent Directors.

Mr. Herrera thereafter 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 Nomination Committee prior to the Annual Stockholders' Meeting. All recommendations were signed by the nominating stockholders together with the acceptance and conformity of the nominees and were submitted to the Nomination Committee and the Corporate Secretary at least thirty (30) days before the date of the actual meeting.

The Nomination Committee thereafter pre-screened the qualifications and prepared a Final List of Candidates for directors.

Based on the Final List of Candidates for directors as determined by the Corporation's Nomination Committee, and as disclosed in the Corporation's Information Statement, the following were elected Directors of the Corporation to serve as such for the ensuing year and until the election and qualification of their successors:

1. Lucio C. Tan
2. Carmen K. Tan
3. Washington Z. Sycip
4. Lucio K. Tan, Jr.
5. Michael G. Tan
6. Joseph T. Chua
7. Jaime J. Bautista
8. Johnip G. Cua (Independent Director)
9. Ben C. Tiu (Independent Director)

**XI. APPOINTMENT OF EXTERNAL AUDITOR**

The Chairman then proceeded to the next item on the Agenda, which pertains to the appointment of the external auditor of the Corporation for the ensuing year.

Upon motion duly made and seconded, SGV & Co. was unanimously appointed as the external auditor of the Corporation for the ensuing year.

**XII. ADJOURNMENT**

There being no further business to transact, upon motion duly made and seconded, the meeting was adjourned.

CERTIFIED CORRECT:

**FLORENTINO M. HERRERA III**  
Corporate Secretary

**ATTEST:**

**WASHINGTON Z. SYCIP**  
Chairman

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LTC USB3/MAC



## PRESIDENT’S MESSAGE: ANNUAL REPORT 2014

### Dear Stakeholders of MacroAsia,

Year 2014 speaks of growth, turnaround performance and expansion for the MacroAsia Group, within the context of macroeconomic stability and continuing improvements in our country as a whole.

As a Group, we are better-positioned in our markets, and apparently appreciated by our clients and other stakeholders, as we turn two decades of doing business under the name “MacroAsia Corporation” by November 2015. Focusing on three core business units that we have, let me cite some indicators in 2014:

- **MRO:** Lufthansa Technik Philippines, our biggest investment, has returned to profitability after two challenging years of refocusing its business strategies. For line maintenance, LTP helped Philippine Airlines maintain a record high Technical Maintenance On time Performance (OTP). In 2014, LTP was able to reach an average of 99.24% OTP for PAL aircraft maintenance originals. This is an improvement from the average 99.11% OTP in 2013. LTP maintained a total of 44 aircraft from the fleet of PAL and PAL Express as of December 2014.

Today, LTP is assured of its business with key clients, marked by a 2-year contract signed for base and heavy maintenance with PAL, as well as an exclusive long-term agreement with Qantas Airways for the base and heavy maintenance of the 12 Airbus A380s of Qantas. LTP is also doing the cabin modification of Lufthansa’s A340s, and is slated to do the checks for Lufthansa’s A380s as well. With these developments, LTP is upgrading its capability to do heavy maintenance for the A380s, with a second A380 hangar coming into operation by November 2015.

- **CATERING:** MacroAsia Catering Services, has stayed its course as a caterer of choice, keeping its share of the foreign airlines market in NAIA above 60%. Its On Time Performance Record for the servicing of its clients in 2014 is 100%. More than this, its citations and awards were numerous, among which are:
  1. Excellence in Catering Award for Singapore Airline (2<sup>nd</sup> Best Caterer within the worldwide network of providers of Singapore Airlines);
  2. ANA’s “Gold Awardee, Best Short Haul Caterer 2013” covering the entire short haul network of ANA, outperforming over 15 stations worldwide (2<sup>nd</sup> consecutive award); and
  3. “Gold Award” from Cathay Pacific under the 2014 and 2013 Caterers’ Performance Recognition Program (CPRP). In 2012, MACS was given the Diamond Award.

In 2014, MacroAsia Catering won the tender for the food services management of Asian Development Bank, a prestigious client, bagging a 3-year contract for this account. It has also grown its food business for non-airline clients, like BPOs and casinos. It is often the first choice in NAIA to service VVIP flights, for top dignitaries of the US, France, Spain, Australia, and Germany to name a few countries. Today, it is expanding its production capability through a catering subsidiary that will operate a new catering facility outside NAIA.

- **GROUND HANDLING:** MacroAsia Airport Services has completed in 2014 its program to further grow its capability through the acquisition of several ground support equipment (GSE), including the construction of its own motorpool inside NAIA's General Aviation Area.

It is the only ground handler in the airport whose services are rendered in NAIA Terminal 1, 2 and 3. This subsidiary is now serving Philippine Airlines/PALEX in Terminal 2 and 3, and Cebu Pacific in Terminal 3. Cebu Pacific engaged MacroAsia as a service provider for its foreign-bound flights in NAIA starting in 2014. MacroAsia feels honored for this feat of being a service provider for the two major local airlines of the country, underscoring the professionalism and competitiveness of our services and workforce in ground handling.

MacroAsia Airport Services was also recognized as the "Highest Quality Service Provider for the 2nd Quarter of 2014" among the ground handling companies in South East Asia that provide services to Korean Air.

### **Gratitude**

Our operating teams have continually sought ways to expand our Group's ability to generate shareholder value. We remained motivated by the goals that we have set for our stakeholders, always keeping the attitude to do things well, even beyond expectations despite the challenges in our operating environment. Our workforce has remained union-free, constant and engaged, though we are faced with the onslaught of talent-seekers abroad.

However, we could have not reached where we are today, without your untiring support through the years.

On behalf of management and the operating teams, I thank all of you for your trust and confidence, and for providing the constant inspiration for us to give our best always.

# ANNEX "C"

## CFO'S 2014 FINANCIAL REPORT:

Dear Shareholders, Ladies and Gentlemen,

Our operating results last year, manifest the resilience and strength of our business models under trying conditions.

The detailed financial statements for 2014 are part of the Definitive Information Statement that has been distributed, and these can also be downloaded in our website, or in the PSE website. We also have a glossy annual report that contains the audited financial statements, and this is available at the entrance of this room.

Today, I will briefly dwell on some highlights of our operating results and financial condition.

### **Results of Operations:**

The Group is reporting a consolidated net income after tax of ₱121.9 million in 2014, reflecting a turnaround into profitability from the past two years' losses of ₱161 million and ₱180 million in 2013 and 2012, respectively.

There are two drivers for this profit growth in 2014. Firstly, our consolidated revenues grew from ₱1.6 billion in 2013, to ₱1.7 billion in 2014. Secondly, our largest investment, Lufthansa Technik Philippines, has returned to profitability after two years of successive losses.

I cite three segment contributors to the positive revenue development:

1. Firstly, MacroAsia Catering - Revenues from this subsidiary contributed 61% of the total consolidated revenues, and for the first time, catering revenues exceeded one billion pesos since this business started operations in 1998. From revenues of ₱992 million in 2013, MacroAsia Catering had ₱1.05 billion revenues in 2014, driven by the growth in its non-airline catering business.
2. Secondly, ground handling - revenues also rose from ₱413 million in 2013 to ₱441 million in 2014, driven partly by our servicing of Cebu Pacific in NAIA Terminal 3 as a new client for passenger check-in services of 5J's international flights. In addition, our ground handling company also benefited from the increase in flights of clients, like All Nippon Airways.
3. Thirdly, mining Services or Exploratory Drilling Services – Revenues rose from ₱7.8 million in 2013 to ₱34 million in 2014, derived from the provision of nickel exploration services to third party clients.

On the cost side, we note that the group posted an increase of ₱99 million in its direct costs, from ₱1.23 billion in 2013 to ₱1.33 billion in 2014. In addition, General and

administrative expenses amounting to ₱376 million in 2013 increased by 14%, to ₱428 million in 2014.

Our direct costs are driven basically by business volume growth and personnel-related expenses. As a group with a staff strength of about 3,726 warm bodies by end of 2014, mandated wage increases impacted on the personnel cost, especially as we run 3 shifts on a 24/7 basis in most business units.

Another external factor that contributed to the rise in cost, which may also be viewed more as an accounting item impacting on the P&L, is the effect of BIR Revenue Memorandum Circular 54-14, particularly on the excess Input VAT of MacroAsia Catering as we took the conservative stance of writing-off about ₱40.6M Input VAT, while providing in our books, additional allowance for uncollectibility amounting to ₱43M. Taking into account what has already been provided, our 2014 profit and loss results would have been higher by ₱43M, if not for this BIR RMC. MacroAsia Catering today continues to provide today for the balance of ₱43M Input VAT that is subject to pending Tax Credit applications before the issuance of the BIR RMC.

The booster in our profit and loss statement though is the return of LTP into profitability: from a Net Loss of ₱538.5M in 2013 to a Net Income of ₱ 226.4M in 2014. This turnaround is a story of a successful strategy shift, from LTP's lesser reliance on line maintenance revenues towards the more difficult but diverse base maintenance revenues, capped by an increased capacity and competency to do heavy base maintenance for A380 aircraft.

If we include with the Net Income, other items that bypass the income statement because they have not been realized, like unrealized holding gain or loss from available for sale securities and foreign currency translation gains or losses, MacroAsia's Consolidated Comprehensive Income for 2014 is ₱221.7 million, compared to a Comprehensive Loss of ₱185.8 million in 2013.

**Financial Position and Cash Utilization:**

With the positive results from operations, our total consolidated assets in 2014 grew to ₱3.3 billion, which is higher by 8% compared to ₱3.1 billion in 2013.

However, total cash and cash equivalents decreased to ₱681 million in 2014, a decline of 21% from previous year's ₱867 million, primarily due to key investments such as:

- ₱33M for a new motorpool/maintenance facility for ground handling;
- ₱30M for new ground support equipment;
- ₱89M, as part of the investments for a waterworks system project in Solano, which is designed to treat surface water from the Magat River and distribute about 10 million liters of treated water per day to household and business establishments in the town; and

- P92M for the acquisition of a lot and 3-storey building close to MacroAsia's vacant lots in Muntinlupa City, for development as a food commissary/kitchen for MacroAsia's non-airline clients.

Our net liquidity position is at P748M, showing a financial position of continually improving stability, backed by the growth in our core businesses that generate the needed cash flow for our expansion. While our bank credit lines remain substantially untapped, we are funding growth in our operating companies using cash on hand or cash generated from operations, and this is reflected in our asset to equity ratio of 1.18.

The boards of our companies have appropriated in total, P823M for key projects, most of which are coming online in the next few months. The Solano Water Project is starting commercial operation on or before September 2015, while the Sucat Commissary for a new subsidiary, MacroAsia-SATS Food Industries Corp, will commence operation within 2016. Also, our ground handling company is in the tail-end of a re-fleeting program.

Aside from the catering and water projects, we have to put on standby, P262 million that maybe needed to support LTP which is currently investing US\$25 million on a second A380 line for operational use by November 2015.

**Business Outlook In 2015:**

In summary, our Group is able to invest in value-adding growth programs, backed by a strong balance sheet and robust operating cash flow. By further strengthening our ability to generate cash and implementing disciplined financial strategies, we believe that in 2015, we will be able to achieve a Net Income After Tax that maybe more than double of the 2014 net income. In fact, our 1<sup>st</sup> quarter report for 2015 that we disclosed to the investing public already reflects a Consolidated Net Income for the 1<sup>st</sup> Quarter at P 100.7M, in contrast to the full-year's income of P121.9 million in 2014.

With your untiring support, trust and confidence, we foresee that together, we can make the MacroAsia Group soar to new boundaries.

Mabuhay at maraming salamat.