

# EMPIRE EAST LAND HOLDINGS, INC.

Minutes of the Annual Meeting of Stockholders

10 July 2013

Grand Ballroom, Eastwood Richmond Hotel  
17 Orchard Road, Eastwood City, Bagumbayan  
Quezon City, Metro Manila, Philippines

## Board Attendance

Gerardo C. Garcia	Chairman of the Meeting; Vice Chairman of the Board; Chairman, Audit Committee; Member, Compensation and Remuneration Committee; Member, Nomination Committee; Independent Director
Anthony Charlemagne C. Yu	Member, Executive Committee; Director
Evelyn G. Cacho	Member, Executive Committee; Member, Audit Committee; Director
Enrique Santos L. Sy	Chairman, Nomination Committee; Director
Alejo L. Villanueva, Jr.	Member, Nomination Committee; Member, Compensation and Remuneration Committee; Member, Audit Committee; Independent Director
Dennis E. Edaño	Corporate Secretary

## I. CALL TO ORDER

Mr. Gerardo C. Garcia, Vice Chairman of the Board, called the meeting to order at 9:05 AM and presided over the meeting. The Corporate Secretary, Atty. Dennis E. Edaño, recorded the proceedings of the meeting.

## II. PROOF OF NOTICE AND DETERMINATION OF QUORUM

The Corporate Secretary certified that all stockholders on record as of 31 May 2013 have been duly 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

In view of the fact that copies of the minutes of the previous year's annual meeting had already been distributed to all stockholders in attendance, the stockholders, upon motion made and duly seconded, dispensed with the reading of said minutes and approved the same.

## IV. MESSAGE TO STOCKHOLDERS

The President, Mr. Anthony Charlemagne C. Yu, delivered the Management's Message to Stockholders, as follows:

The exceptional performance of Empire East Land Holdings, Inc. in 2012 was fueled by its commitment to continuous value creation. As we uplifted our brand to meaningfully impact a new breed of empowered, aspirational Filipino customers, we were able to successfully communicate a quality promise across all our real estate offerings: true accessible luxury. This promise has resonated with our core market, driving our strong financial results for the past year.

We are very pleased to report that Empire East and its subsidiaries registered real estate sales of PhP1.38 billion in 2012, a 40 percent jump from PhP938 million in 2011. Net income grew 26 percent to PhP235 million in 2012 from PhP186.10 million in the previous year. Meanwhile, reservation sales hit PhP12.98 billion, up 73 percent from PhP7.52 billion year on year. For the first quarter of 2013, reservation sales totaled PhP3.42 billion, an increase from PhP3.25 billion in the same period in 2012.

Our profitability last year was also buoyed by the economic environment, which saw above-average GDP growth, along with improved governance. Renewed consumer and investor confidence opened up new opportunities for the property sector. As the vibrancy of the economy continues in 2013, we are primed to achieve our goals and enhance shareholder value. We are also in a very good position to deliver Empire East's unique brand of luxury on a large scale.

We uplifted the Empire East brand to reflect true accessible luxury and meaningfully impacted a new breed of empowered, aspirational Filipino customers.

#### **Robust take-up for luxury portfolio**

In our marketing strategies for 2012, we consciously impressed a message of luxury on new and existing customers, bringing to focus our capability to offer upscale residences in the very best locations in Metro Manila and the South.

Our six-tower Kasara project in Pasig City, a showcase of urban resort residences and resort-themed amenities, enjoyed strong customer acceptance, which pushed our sales to 60 percent. The Rochester, also located in Pasig City, is 66 percent sold. The project is composed of eight mid-rise buildings and two high-rise towers, complemented by a wide range of fully functional play amenities, which we also completed last year.

The three transit-oriented developments, or TODs, we put on stream starting 2007 have remained exemplars of mobility and convenience for train-riding customers. Take-up for Pioneer Woodlands in Mandaluyong City is at 61 percent, while Little Baguio Terraces in San Juan City and San Lorenzo Place in Makati City are 50 and 71 percent sold, respectively.

Sales for The Cambridge Village in Pasig-Cainta, including new phase Central Park, are close to 90 percent. In the same way that we are confident about the continued reception of our recreation- and transport- centered developments, we are also assured that the large-scale community concept of The Cambridge Village will consistently be on the radar of homebuyers looking for a family-friendly address.

Our suburban inventory, particularly that of The Sonoma in Sta. Rosa, Laguna, is doing similarly well, with a take-up rate of nearly 90 percent. Aside from its lot and house-and-lot offerings, The Sonoma's portfolio includes lots in its commercial strip, which we believe will greatly benefit from the captive market in the community. The popularity of these commercial lots, now nearly sold out, can be attributed to the master-planned, integrated and self-sustaining concept of the project.

As we strengthened our presence in the new markets, we continued to honor our commitments to current clients by being mindful of our delivery schedules.

### **Efficient product roll-out and delivery cycles**

Empire East refreshed its inventory amid steady demand in 2012. We unveiled last year 12 new towers, with over 2,000 residential units, across six urban projects – Kasara, The Rochester, Pioneer Woodlands, Little Baguio Terraces, San Lorenzo Place and Central Park. Units in each of the developments are moving well in the market. The Sonoma also had its share of launch activities. We opened close to 830 new units to the public in the project's latest phases, The Esplanade and The Pavilion, are now 84 and 86 percent, sold.

Brand building was at the heart of our marketing efforts last year. Inspired by advertising campaigns undertaken in Hong Kong and Singapore, we were aggressive in promoting our projects out of home. Mobile billboards and billboards in various transport hubs were extremely effective in creating brand recall and generating inquiries, which translated to actual sales.

As we strengthened our presence in new markets, we continued to honor our commitments to current clients by being very mindful of our delivery schedules. This year, we will begin turnover for Pioneer Woodlands Towers 1 and 2, Little Baguio Terraces Tower 1 and San Lorenzo Place Tower 4, We are on schedule to hand over new towers in our current construction timetables every year for the next few years. Delivery is also set to start for The Sonoma's first phase The Enclave, which is nearing sold-out status.

We incurred PhP2.5 billion in construction costs in 2012. This year, we expect to spend about PhP4 billion to PhP4.5 billion for the development of new and current projects.

We will continue to dedicate our efforts to making luxury home ownership a reality for more Filipinos.

### **Long-term orientation and strategic advantage**

Capturing value at the soonest possible time is key to Empire East's longevity. We are actively amassing a strategic land bank in prime locations. By the end of 2012, our land bank consisted of nearly 450 hectares of property. From 2012 to May this year, we were able to secure new tracts of land, which include properties located in Quezon City, San Juan, Parañaque and Las Piñas.

Having enough land to develop in the next five to 10 years is very important. In order to remain competitive over the long term, however, we need to constantly innovate and extend our reach. As part of our 2013 strategy, we are looking to launch new real estate concepts and expand our territory in the South as a way to stimulate the market and gain an edge over our competitors.

Moving forward, we will continue to dedicate our efforts to making luxury home ownership, and consequently, a luxury lifestyle, a reality for more Filipinos. We are cognizant that in setting the bar higher, we are, as a Company, challenging ourselves to be more-and give more-to our customers, our business partners and our shareholders.

In closing, we would like to thank everyone who has shared in our vision all these years. We look forward to scaling up the Empire East business with your support and confidence.

## **V. OPEN FORUM**

Below is a summary of the questions raised and answers given during the Open Forum:

Question: First of all, congratulations regarding the raise of new capital by issuing shares to Megaworld. Public float went down to 20%. Is there any attempt to consolidate the business with Megaworld?

Answer: Megaworld announced that it will consolidate our property company under Megaworld in order to ensure that it is a stronger property arm. However, there is no attempt to *delist* Empire East.

Question: You announced about the 450-hectare of landbank and additional landbank. Is it on the joint venture or is the land really owned by Empire East?

Answer: Those in landbank are owned by Empire East. Those under joint venture will not be considered as part of landbank.

Question: We know that Empire East announced a lot of developments around the Entertainment City. Can you give us some overview regarding this development?

Answer: There was a general Memorandum of Agreement signed with Okada. In so far as residential units are concerned, there was an expression of interest on our part and there is an expression of interest also on their part to develop residential units in the Entertainment City. Empire East will not enter into casino operations and that's very clear. Right now, we are watching the current developments because we have to check the developments on their casino site before we go into the residential units. There are ongoing discussions with them and we will always be open to new ventures for as long as we think that it is profitable for our company.

Question: So, at the moment, the project is on hold depending on the casino?

Answer: No. The project is still there. We would like to find out and verify with the other party whether or not they would like to pursue the project, whether or not the casino will push through. The main thrust of our partner is their casino operations. If the project would push through for the residential development, we'll be in and we're very interested in that. Entertainment City consists of four major players, so we do not have to depend on any of the casino operators. However, we need to check whether or not the other party will continue with their casino operation for them to continue the residential development.

Question: I have read that Empire East plans to put up 25 condominiums in the Entertainment City. I just want to find out what happened to that agreement?

Answer: We have that Memorandum of Agreement with the other party. However, we are in continuous discussion because we would like to know the status of their intent to develop both the casino and the residential components. As far as we're concern, we're only interested in residential component. Since they are the land owner and we are the joint venture developer, we would need the land owner to join with us in order for us to continue with that development.

Question: Recently, there have been a lot of talks about bubble in the property market, what is your take on that and how stable is Empire East at present?

Answer: The talks about property bubble started sometime in May this year, when Bangko Sentral ng Pilipinas came up with a report stating that the total real estate loans in proportion to the total loans is beyond already the 20% cut that was set by the Central Bank during the Asian financial crisis.

However, one must be mindful at the fact that this 20.86% figure that we have right now represents a revise calculation so we're not comparing apples to apples here because what happened was that the Central Bank dropped all those original exclusions, including those loans granted to low income or the socialized housing and those with guarantees.

Also, the figure of 20% cut during the Asian financial crisis did not capture the data regarding securities issued to property firms which is now captured. The Bangko Sentral said a comparison to that of the Asian crisis may not be completely accurate despite that both Bangko Sentral ng Pilipinas and the Bankers Association of the Philippines have come up with a statement and clarified that the level is actually okay and what is more

important according to the Central Bank and the Bankers Association of the Philippines is the level of nonperforming loans as against the total loans.

When we speak of non-performing loans, we're talking of those unpaid for over 30 days from the date they're due and if you look at the figures, they continue to be stable at around 3.7%. According to the Central Bank, it is the important figure that we have to look at. Now, in so far as your company is concerned, we sell to end users. Because of that, we do not sell to the speculative market. Having said that, we can say that the Philippines is far from an over-supply situation that you find whenever there is what you call a bubble.

Moody's and Fitch have come up with a statement saying that the threat of an over-supply or a bubble in the Philippines is not a problem at all. In fact, they compared us to all the countries within the region and considered the Philippines as one that has the most minimal threat in so far as the bubble is concerned. The rating company also said that the reason for the robust sale is because there is really a demand and aside from that, the economy is going very fast.

Now, as to your second question, as to whether or not Empire East is stable, I can categorically say that your company has never been as stable as it is today. If you look at the assets of the company with 25.7 billion, we have trade receivables of 4 billion and as reported to you, we have also very aggressive landbanking in order for us to prepare ourselves not only for the present but also for the future and of course incidentally, we're also majority owned by one of the biggest corporations in the Philippines, in Asia, Megaworld Corporation.

So we'd like to assure you that first, we do not see a property bubble right now, second your company is very stable.

Question: We are aware that there are a lot of property developers offering so many projects right now. So I would like to ask, how is Empire East facing the competition or has it affected the company sales?

Answer: Yes. There are many developers entering the property market right now offering different projects today. Instead of considering that as a threat, we think that there is really reason for us to consider it as 'healthy' due to various reasons.

First, if we relate your question to the question previously taken. When we have an asset bubble, it usually forms at a time when price is over inflated for a particular asset. Now, an asset bubble of course can be aggravated by the lack of supply. Given that we do have a lot of property developers now in the market, we solved that problem of supply and we prevented an asset bubble from happening in the Philippines.

Second, with so many developers coming into the market, the developers have no choice but to become more innovative and to offer better products and I think, ultimately, it turns out to benefit the end-users, our buyers as well as the real estate industry as a whole.

Now, how does that affect our sales?

We are just very lucky that despite the competition, Empire East was ahead of its time, because we are the first major developer in the middle income market. We were able to sustain our lead. As mentioned earlier, if you compare our last year alone, our reservation sales increased by 73% and that is close to about 13 billion pesos. To contextualize it, that increase was based on 2011 which in itself was already a very good year. So, moving forward, we can continue with the kind of pace that we have right now, primarily because we are aware of the market, we know where the market is and we continue to be very innovative in the products that we offer.

Question: As I scan the annual report you provided this morning, I noticed that the liabilities especially the loans decrease from 2011 to 2012. Does this mean that the company did not avail loan from any bank despite that they are aggressively offering lower interest rates? Why is that so?

Answer: You're correct, the company can easily avail of loans given the aggressiveness of banks and financial institutions today but, we decided that it is more prudent for us not to do so. Instead of going to banks or financial institutions, we have decided to do equity financing in order to bring in more fresh capital and we think it is safer, better and we achieve the same purpose. We issued additional shares in order to fund the activities of the company. And we think that is so much better considering that the banks are usually aggressive in good times but banks can tend to be very rapacious during bad times, so we are very careful about that, and that is the reason why we felt that it may be better for us, at least for now, to do raise funds for equity financing.

Question: Does it mean, until 2013, you're using equity as financing?

Answer: No, I think we have reached a certain level where do not have to do that anymore.

Question: What can you say about the recent Two Serendra explosion? I mean, is there a possibility that any of our projects will also suffer from that kind of accident?

Answer: It is difficult to give a comment about other developers but as you know, that was an accident. That accident was caused by an explosion because the LPG was pipe-in. Such accident was further aggravated by prefab materials used, and it hit people on the ground.

To assure you, we do not use pipe-in LPG in any of our developments. And we do not use prefab materials in our developments. As we are learning from that incident and many other experiences among other developers, we, at Empire East also decided to have an in-house property management organization within the group in order for us to ensure that these things are checked. It helps when we have an in-house property management.

## **VI. ENGAGEMENT OF EXTERNAL AUDITOR**

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."

## **VII. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND MANAGEMENT**

The Presiding Officer proposed the ratification of all acts of the Board of Directors, Executive Committee and Management during the period covering 1 January 2012 to 31 December 2012. These acts include resolutions duly adopted by the Board of Directors and/or its Executive Committee, such as appointment of contract signatories, appointment of representatives to homeowners' associations, application for permits and licenses for projects, registration of master deed and restrictions of projects, operation of bank accounts and other bank transactions, consolidation and subdivision of lots and titling of projects, development and operation of projects, property acquisitions, dispositions, leases and joint ventures, purchase and sale of subscriptions, and appointment of stock transfer agent.

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

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

#### **VIII. ELECTION OF DIRECTORS**

The Chairman of the Meeting informed the stockholders that the Company would be electing seven (7) directors. He added that pursuant to the Securities Regulation Code, SRC Rule 38 and in relation to the SEC Memorandum Circular No. 6, Series of 2009 and its Manual of Corporate Governance, the Company is required to have at least two (2) independent directors out of seven directors.

Mr. Ricardo B. Gregorio, on behalf of the Nomination Committee, presented the Final List of Nominees to the Board of Directors, as follows: Mr. Gerardo C. Garcia and Mr. Alejo L. Villanueva, Jr. for independent directors, and Andrew L. Tan, Katherine L. Tan, Anthony Charlemagne C. Yu, Enrique Santos L. Sy, and Evelyn G. Cacho for regular directors.

It was then moved and duly seconded that the nominees for independent directors, namely Alejo L. Villanueva, Jr. and Gerardo C. Garcia be elected as independent directors of the Company, and that Andrew L. Tan, Katherine L. Tan, Anthony Charlemagne C. Yu, Enrique Santos L. Sy, and Evelyn G. Cacho, 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.

#### **IX. ADJOURNMENT**

The meeting was adjourned at 9:35 AM.

CERTIFIED TRUE & CORRECT:

**DENNIS E. EDAÑO**  
Corporate Secretary

ATTESTED BY:

**ANTHONY CHARLEMAGNE C. YU**  
President

**GERARDO C. GARCIA**  
Chairman of the Meeting