

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING  
OF

**ARTHALAND CORPORATION**

*Held via Zoom ® Webinar*

*Friday, 26 June 2020*

<u>Total Common Shares Present</u>	3,727,670,056 <sup>1</sup>
<u>Total Preferred Shares Present</u>	Undisclosed <sup>2</sup>
<u>Total Number of Common Shares Outstanding and Entitled to Vote</u>	5,318,095,199

Directors Present

Mr. Ernest K. Cuyegkeng	Chairman of the Board
Mr. Jaime C. Gonzalez	Vice Chairman and President <sup>3</sup>
Mr. Ricardo Gabriel T. Po	Vice Chairman <sup>4</sup>
Mr. Leonardo Arthur T. Po	Executive Vice President and Treasurer
Mr. Jaime Enrique Y. Gonzalez	Director
Mr. Christopher Paulus Nicolas T. Po	Director
Mr. Fernan Victor P. Lukban	Independent Director <sup>5</sup>
Mr. Hans B. Sicat	Independent Director
Mr. Andres B. Sta. Maria	Independent Director

In Attendance

Mr. Christopher G. Narciso	Executive Vice President
Mr. Oliver L. Chan	Head of Sales Operations
Mr. Gabriel L. Paulino	Head of Technical Services
Ms. Sheryll P. Verano	Head of Strategic Funding and Investments and Investor Relations Officer
Mr. Ferdinand A. Constantino	Chief Finance Officer
Ms. Leilani G. Kanapi	Head of Procurement Department
Ms. Ma. Angelina B. Magsanoc	Head of Marketing Department
Mr. Edgar V. Sabidong	Chief Sustainability Officer
Mr. Clarence P. Borromeo	Head of Information Technology Department and Data Privacy Officer
Atty. Riva Khristine V. Maala	Corporate Secretary and General Counsel
Mr. Teodoro T. Po	President and CEO of Century Pacific Food, Inc.
Mr. Roman Felipe Reyes	Chairman, Reyes Tacandong & Co.
Mr. Emmanuel Clarino	Head, Audit Services, Reyes Tacandong & Co.
Ms. Michelle Mendoza-Cruz	Partner-in-Charge, Reyes Tacandong & Co.
Ms. Lorraine Carpio	BDO Unibank, Inc.-Trust and Investments Division
Ms. Gigi Arcaba	BDO Unibank, Inc. – Trust and Investments Division

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<sup>1</sup> Consisting of CPG Holdings, Inc., AO Capital Holdings, Inc., Elite Holdings, Inc., Manchesterland Properties, Inc., Antonio Luis Silos and the members of the Board of Directors.

<sup>2</sup> Lodged with Philippine Depository and Trust Corporation.

<sup>3</sup> Chairman of the Stock Option and Compensation Committee

<sup>4</sup> Chairman of the Nomination Committee

<sup>5</sup> Chairman of the Audit Committee

## **I. Call to Order**

Before calling the meeting to order, Chairman Ernest K. Cuyegkeng reminded everyone that the meeting is being conducted in virtual format in view of the government's directive against holding physical mass gatherings or in-person meetings.

Chairman Cuyegkeng thereafter called the meeting to order at 8:36 A.M. and presided over the same. The Corporate Secretary, Atty. Riva Khristine V. Maala, acted as Secretary of the meeting and recorded the minutes of the proceedings.

## **II. Proof of Due Notice of Meeting/Determination of Quorum**

The Secretary confirmed that notice of this meeting was made by publication on 04 and 05 June 2020 in the Philippine Star and in the BusinessWorld, both newspapers in general circulation, as well as in their respective online platforms, within the period prescribed by the By-Laws of the Corporation. The sworn Affidavits of Publication both dated 05 June 2020 from PhilSTAR Daily and BusinessWorld are attached and made integral parts hereof as **Annex "A"**.

Also, beginning 04 June 2020, the Notice of the meeting, together with the Corporation's Information Statement and other relevant meeting materials, were uploaded to the Corporation's website [www.arthaland.com](http://www.arthaland.com) and that of the Philippine Stock Exchange. All these are in compliance with the latest mandates of the Securities and Exchange Commission and the Philippine Stock Exchange on the calling of annual meetings through remote communication given the current situation in the country.

The Secretary declared that stockholders owning 3,727,670,056 common shares or 70.09% of the total outstanding common shares of the Corporation were present either in person or by proxy, and such constituted more than fifty-percent (50%) of the outstanding capital stock of the Corporation. The Secretary then certified that a quorum existed for the transaction of business by the stockholders.

The Chairman thereafter introduced Vice Chairman and President Jaime C. Gonzalez and Atty. Maala as members of the panel for the meeting. He also acknowledged the presence of the incumbent members of the Board who were present and other attendees, including the audit partner from Reyes Tacandong and Co., the Corporation's external auditor, and the representatives of BDO Unibank, Inc.-Trust and Investments Division, the Corporation's stock transfer agent.

## **III. Approval of Minutes of Previous Meeting**

The Chairman stated that the minutes of the Annual Stockholders' Meeting held on 28 June 2019, a copy of which had been previously posted on the Corporation's website, were for consideration.

The minutes were then shown on screen anew.

At this point, the Chairman announced that stockholders of the Corporation which hold at least 67% of the total outstanding capital stock, namely, CPG Holdings, Inc (CPG), AO Capital Holdings 1, Inc. (AOCH1), Elite Holdings, Inc. (Elite), and Manchesterland Properties, Inc. (MPI), will vote in favor of the approval of the minutes of the Annual Stockholders' Meeting of 28 June 2019.

There being no further comments, on motion made, duly seconded and carried, with no objection having been raised, the Minutes of the Annual Stockholders' Meeting held on 28 June 2019 were approved, as presented, by all the stockholders present, to wit:

<u>Vote</u>	<u>Number of Votes</u>	<u>Percentage of Shares Represented</u>
Yes	3,727,670,056	70.09%
No	0	0



Abstain	0	0
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and the following resolution was passed:

Approval of Minutes of Annual Stockholders' Meeting of 28 June 2019

“RESOLVED, that the Minutes of the Annual Stockholders' Meeting of 28 June 2019, as presented, be, as it is hereby, APPROVED and CONFIRMED.”

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#### **IV. Management Report**

Before Vice Chairman and President Gonzalez presented the Management Report, he reminded everyone that there was a Q&A button on their respective screens which they could use in case they had any question not only about his presentation but on any matter presented in the course of the meeting. These, if there are any, will be addressed accordingly. He then proceeded to discuss the significant milestones of the Corporation for 2019 up to the present.

In early 2019, the Corporation celebrated the launch and groundbreaking for Savya Financial Center, a premium green twin tower office development with a fully integrated retail component. It is envisioned to be the new capital address for business in the upcoming commercial district of ARCA South, Taguig City, and it will stand as a one-of-a-kind global address created to the highest standards. Substantial completion of the foundation and substructure work have been achieved and it is currently at the fifth floor out of a total 18 floors for the North Tower. The Corporation is closely coordinating with the general contractor for the project, Datem Inc., to ensure the safe re-opening of the construction site after its temporary closure due to community quarantine guidelines.

Also launched in March 2019 was Sevina Park Villas, located within Sevina Park in Biñan, Laguna – a master-planned community with limited-edition designer homes, lush greenery and courtyards. Groundbreaking for this project was likewise celebrated in 2019 and site development for the entire 8-hectare estate is in progress. In addition to Courtyard Hall, which was completed in 2018 and is currently leased out to students of the adjacent De La Salle University Science and Technology campus, construction of the model units for the Villas and the sales pavilion have been completed.

The Corporation has concluded the land acquisition for its Cebu Business Park Project, which is targeted to be the first premier, multi-certified sustainable residential condominium in Cebu. It is currently in the advanced stage of planning in preparation for launch.

The Corporation has also achieved significant construction progress for its other projects including the topping off of Phase 1 of Cebu Exchange, its biggest project to date. Located at the gateway of the Cebu IT Park, Cebu Exchange will be the single largest multi-certified green office building in the Philippines. The construction site is currently active following the rules of the Cebu City local government. Phase 1 of the project is on track for handover by the fourth quarter of 2020.

The Corporation forged a strategic partnership in 2019 with Mitsubishi Estate Company Limited (MEC) through an agreement signed in August 2019 with closing completion in June 2020. MEC is one of the largest real estate developers in Japan with a capitalization of approximately US\$24 billion. This agreement is MEC's first venture in the Philippines and under the terms of the partnership, the Corporation will take the lead in managing the operations of Savya Financial Center while MEC will offer its expertise to improve the project's value.

In June 2019, the Corporation successfully issued ₱1 billion Series C preferred shares which was two times oversubscribed. For this exercise, the Corporation tapped BDO Capital & Investment Corporation (BDO Capital) as the sole underwriter and issue manager.

In February 2020, the Corporation became the first non-bank corporate and first real estate developer to issue ASEAN Green Bonds in the local market. For this issuance, the Corporation tapped BDO Capital and ING Bank, N.V., Manila Branch as joint lead underwriters, and PNB Capital Investment Corporation as the co-lead manager.

The Corporation also received numerous awards and certifications for its projects.

In October 2019, the World Bank Group, through its subsidiary, the International Finance Corporation (IFC), recognized the Corporation's flagship office building, Arthaland Century Pacific Tower (ACPT), as the world's first net zero certified building under its EDGE (Excellence in Design for Greater Efficiencies) program, a recognition that is in addition to the LEED Platinum rating and the BERDE 5-star certification ACPT has achieved already. ACPT was also awarded the Best Green Feature Development in the Japan International Property Awards.

The Corporation partnered with the International WELL Building Institute (IWBI) to further its initiatives to develop healthy buildings. The IWBI crafted WELL Building Standards to set a global benchmark and to certify buildings that promote and enhance the health and well-being of their occupants.

In June 2020, the Corporation became the first signatory from the Philippines to the Net Zero Carbon Commitment of the World Green Building Council, and the only real estate developer in Asia to have done so at the time.

In addition to other awards it has won prior to 2019, Cebu Exchange was awarded Best Office High Rise Development in the Japan International Property Awards.

Savya Financial Center is registered with the U.S. Green Building Council and is pre-certified LEED GOLD. It is also registered with the Philippine Green Building Council and is on track to achieve BERDE 4-stars and WELL certifications.

Sevina Park has received the LEED Platinum award under the Neighborhood Development (LEED ND) category. The Corporation is the Philippines' first and only real estate developer to receive the LEED Platinum award under the LEED ND. Likewise, Sevina Park Villas is on track to receive LEED Homes and EDGE certifications.

Vice Chairman and President Gonzalez proceeded to report next the Corporation's key Financial Highlights as follows:

First, 2019 was a very strong year for the Corporation as its financials more clearly reflected the realization of its growth story;

Second, as a result of the traction the Corporation has achieved in terms of revenues and efforts to manage its overhead costs, it recognized net income of ₱1.5 billion in 2019, the highest reported net income since 2009, and it also recognized one of the strongest gross margins in the industry;

And third, the Corporation heightened its focus on prudent financial management while it moves forward with its growth story.

The Corporation declared revenues of ₱3.8 billion in 2019, almost 3.5x that of the revenues reported in 2018.

Moving into the first quarter of 2020, the Corporation reported revenues of ₱577 million which showed a 24% increase over the same period last year. This was driven by sales of commercial units in Cebu Exchange and Savya Financial Center as well as lease income from ACPT and Arya Plaza. The



Corporation was also able to sustain gross margins at 46% which resulted in a net income of ₱38 million for the first quarter of 2020.

Vice Chairman and President Gonzalez next discussed the effects of the COVID-19 pandemic on the Corporation.

The Corporation has implemented business continuity protocols which allow substantially all of the employees to work from home and at the same time, to work very closely with the Corporation's counterparties and customers. For employees who need to report to the office, the Corporation has in place a number of protocols which include subjecting these personnel to health declarations and surveys, contact tracing, rapid antibody testing procedures, the use of PPEs, the adoption of social distancing arrangements, and the provision of temporary lodging facilities and shuttle services.

At construction sites, the Corporation continues to work closely with the general contractors for each of the projects to ensure that proper protocols are in place to support the safe re-opening of the construction site for Cebu Exchange, Savya Financial Center and Sevina Park. These include COVID-19 testing procedures and onsite quarantine.

The Corporation has also accelerated its digital transformation program which includes the adoption of digital customer relationship management and inventory management systems, tools for virtual walkthrough tours of projects, online document review and approval systems, and a virtual concierge platform to ensure safe entry into the Corporation's properties.

The main effect of the Enhanced Community Quarantine (ECQ) on operations was the stoppage of work at active construction sites of the Corporation's various projects. While Cebu City remains under ECQ, construction is still in progress given the 400 manpower that have passed the rapid testing conducted and were quarantined on site. For Savya Financial Center and Sevina Park, construction has now resumed under the General Community Quarantine guidelines for Metro Manila and Laguna.

Project target delivery dates remain the same despite the work stoppage because the Corporation has built in sufficient flexibility in the timelines and because it has chosen to work with the top tier general contractors.

On sales operations, the main challenge is establishing continuous contact with potential buyers. However, because of the efforts of the sales team to adjust their channels to reach buyers online, the Corporation continued to make reservation bookings even under ECQ.

With respect to business development efforts, the Corporation is taking a prudent approach on land acquisition until it gains a full assessment of the market impact of COVID-19 on property prices.

The Corporation continues to pay all maturing interest and principal obligations during the ECQ even if it is entitled to a deferment of such payments under the Bayanihan Act. As a result, it continues to receive strong support from its banking partners and continues to have access to financing.

The Corporation's other initiatives were presented which include its partnership with World Wide Fund, its relief operations during the Taal volcano eruption, its donation drives to help curb the COVID-19 pandemic, and the development of Arya Plaza Potager Garden.

The Management Report ended with Vice Chairman and President Gonzalez thanking the Corporation's stockholders, joint venture and banking partners, investors, members of the Board, and other partners.

The floor was thereafter opened for questions. Using the Q&A button to input their queries, the following questions were anonymously asked and thereafter answered by Vice Chairman and President Gonzalez:

Questions	Answers
1. What is the impact of COVID-19 and the ECQ on the launch of the three (3) new projects?	The Corporation continues to work on the planning required for these three (3) new projects and hopes to launch them as soon as market conditions allow it to do so. It is constantly monitoring developments post ECQ.
2. What is your cancellation rates or back out rates?	Cancellation rates have been less than 1% and are not material.
3. Are you expecting any delays in the construction and completion of ongoing projects due to COVID-19? What would be the impact of such delays on financial performance?	Handover dates for all the projects have been maintained despite the work stoppage caused by the quarantine. The Corporation is working very closely with the contractors and sub-contractors so they can ramp up and catch up with the delay in the work. Sufficient contingencies were also planned into the timelines, as a result of which the Corporation is not expecting any delays. For example, for <u>Cebu Exchange</u> , the contractor has committed that it will be able to deliver by early fourth quarter of 2020. As a result, no major impact is seen on financial performance.
4. Can the Corporation's internally generated funds cover its fixed operating cost or overhead without resorting to borrowing?	This is an important aspect of programs and policies the Corporation put in place based on its conservative management approach. The recurring income of the property is more than sufficient to cover its operating cost. Over time, the Corporation expects its recurring income will increase substantially.

As there were a few other items to be presented for approval, those who still had questions were invited to send them by email instead through the Corporation's website so that they can be answered accordingly.

Thereafter, a motion was made to approve the Management Report which discussed all the things that Management had done and carried out for the previous year for the good of the Corporation and its stockholders.

At this point, the Chairman announced that stockholders of the Corporation which hold at least 67% of the total outstanding capital stock, namely, CPG, AOC1, Elite, and MPI, will vote in favor of the approval of the Management Report rendered by Vice Chairman and President Gonzalez.

There being no comments, on motion made, duly seconded and carried, with no objection having been raised, the Management Report was approved by all the stockholders present, to wit:

<u>Vote</u>	<u>Number of Votes</u>	<u>Percentage of Shares Represented</u>
Yes	3,727,670,056	70.09%
No	0	0
Abstain	0	0

and the following resolution was passed:



Management Report for 2020

“RESOLVED, that the Management Report on all the acts and achievements done by Management and the incumbent Board since the annual stockholders’ meeting on 28 June 2019 up to the present be, as it is hereby, APPROVED, CONFIRMED and RATIFIED.”

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**V. Approval of the Amendment of the By-laws of the Corporation**

The proposal to amend the Corporation’s By-laws, specifically Articles I, II, III, IV, V, VI, and VII thereof, was presented next by Atty. Maala.

Upon effectivity of the Revised Corporation Code of the Philippines in February 2019, all publicly listed companies such as the Corporation were directed by the Securities and Exchange Commission to comply with new legal requirements. For this reason, amendments to certain provisions of the Corporation’s By-laws as outlined in the Information Statement were proposed in order to align them with the Revised Corporation Code. Once these amendments are approved, the By-laws will now allow alternative modes of conducting meetings and grant stockholders the rights to participate in meetings through remote communication or even *in absentia*, to propose the calling of stockholders’ meetings within the periods prescribed, and to include items in the agenda, among other rights. The relevant provisions of the By-laws proposed to be amended and the rationale for the same were shown on the screen.

A list of the provisions of the amended By-laws as presented in the Information Statement, with the proposed revisions underscored, is hereto attached and made an integral part hereof as **Annex “B”**.

The stockholders were invited to ask questions but none were raised.

The Chairman explained that the required vote to implement the proposed amendment of the By-laws was two-thirds (2/3) of the outstanding voting shares of the Corporation and holders of preferred shares are entitled to vote on this proposal. He also announced that stockholders of the Corporation which hold at least 67% of the total outstanding capital stock, namely, CPG, AOCH1, Elite, and MPI, will vote in favor of the proposed amendments to the By-laws.

There being no comments, on motion made, duly seconded and carried, stockholders present owning more than 67% of the total outstanding voting shares of the Corporation entitled to vote tallied as follows:

<u>Vote</u>	<u>Number of Votes</u>	<u>Percentage of Shares Represented</u>
Yes	3,727,670,056	70.09%
No	0	0
Abstain	0	0

approved the following resolution:

Amendment of the By-laws

“RESOLVED, that the proposed amendments to the By-laws of the Corporation as presented be, as they are hereby, APPROVED, CONFIRMED and RATIFIED.”

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## **VI. Approval of the 2020 Stock Option Plan**

The Chairman moved to the next order of business which is the 2020 Stock Option Plan to be given to qualified officers and employees of the Corporation.

Following regulations of the Securities and Exchange Commission, the 2019 Stock Option Plan expired in October 2019. The Chairman reiterated that the objective of granting a stock option plan is to furnish a material incentive to qualified employees of the Corporation by making available to them the benefits of stock ownership in the Corporation and thereby increase their concern for its long term progress and well-being. It is also to give the Corporation an assurance to keep its employees, especially the best ones, within the organization.

Vice Chairman and President Gonzalez thereafter presented the material features of the 2020 Stock Option Plan which is substantially the same as the previous one. The total amount of shares of stock which may be issued and are reserved for purposes of the 2020 Stock Option Plan shall be ten percent (10%) of the total outstanding capital stock of the Corporation at any given point in time. To date, the total number of options granted to qualified employees per the 2019 Stock Option Plan amounts to 55,400,000. The Board of Directors approved this grant in December 2018 and these were issued to qualified employees in February 2019.

The 2020 Stock Option Plan's objectives, procedure for administration and execution, and the qualification requirements of employees were also presented. The Chairman then gave the attendees the opportunity to ask questions but none were raised.

Before the Corporation can issue additional options under the 2020 Stock Option Plan, it is necessary for stockholders holding at least two-thirds (2/3) of the outstanding voting shares of the Corporation to first approve the proposed 2020 Stock Option Plan. Only holders of common shares may vote on this proposal. The Chairman stated that common stockholders of the Corporation which hold at least 67% of the total outstanding capital stock, namely, CPG, AOCH1, Elite, and MPI, will vote in favor of the approval of the 2020 Stock Option Plan.

There being no further comments, on motion made, duly seconded and carried, common stockholders present owning more than 67% of the total outstanding voting shares of the Corporation entitled to vote tallied as follows:

<u>Vote</u>	<u>Number of Votes</u>	<u>Percentage of Shares Represented</u>
Yes	3,727,670,056	70.09%
No	0	0
Abstain	0	0

approved the 2020 Stock Option Plan and passed following resolution:

### 2020 Stock Option Plan

“RESOLVED, that the terms and conditions of the 2020 Stock Option Plan be, as they are hereby, APPROVED.”

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## **VII. Election of Directors**

The Chairman announced that the next order of business is the election of the members of the Board of Directors for the term 2020-2021. He explained the procedure on the nomination and election of directors as outlined in the Corporation's current By-laws, its Manual of Corporate Governance, and the Securities Regulation Code. The Board through the Nomination Committee determines if those so nominated are eligible and have complied with the qualification requirements imposed by the current



By-laws and the Securities Regulation Code. The Nomination Committee declares who are those candidates or nominees considered as eligible and qualified for election, and it certifies the list to the Board which confirms the same.

He further explained that the Nomination Committee of the Corporation, composed of Vice Chairman Ricardo Gabriel T. Po and Independent Directors Hans B. Sicat and Andres B. Sta. Maria, determined whether the nominees for directors, including those for independent directors, possess the qualifications and none of the disqualifications of regular and independent directors of the Corporation as provided under the Manual of Corporate Governance and the Securities Regulation Code.

The Secretary of the Meeting declared that there were nine (9) nominees cleared by the Nominations Committee and confirmed to be fit, qualified and eligible for election, as follows:

A. Regular Directors

1. Mr. Ernest K. Cuyegkeng
2. Mr. Jaime C. Gonzalez
3. Mr. Jaime Enrique Y. Gonzalez
4. Mr. Christopher T. Po
5. Mr. Leonardo Arthur T. Po, and
6. Mr. Ricardo Gabriel T. Po.

B. Independent Directors

7. Mr. Fernan Victor Lukban
8. Mr. Hans B. Sicat, and
9. Mr. Andres B. Sta. Maria.

The Chairman declared that common stockholders of the Corporation which hold at least 67% of the total outstanding capital stock, namely, CPG, AOC1, Elite, and MPI, will cast all their votes in favor of the nine nominees.

Considering that there are nine (9) seats of the Board to be filled up and there being only nine (9) nominees, the Chairman stated that the stockholders may, if they so desired, dispense with the strict formalities and procedures of a long and formal balloting and elections.

With no objections from the floor on the suggestion of the Chairman, on motion made, duly seconded and carried, all votes of the common stockholders present were cast in favor of the foregoing nine (9) nominees to the Board and they were declared elected as members of the Board of Directors for the year 2020-2021 to hold office as such and until their respective successors shall have been duly elected and qualified.

### **VIII. Appointment of External Auditor**

The Chairman proceeded to the final item in the agenda which is the appointment of the External Auditor for 2020. He explained that the Corporation's By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors. The Board appointed Reyes Tacandong & Co. as the Corporation's external auditor for 2020 with Ms. Michelle Mendoza-Cruz as Partner-in-Charge. The common stockholders were requested to ratify such appointment.

The Chairman declared that common stockholders of the Corporation which hold at least 67% of the total outstanding capital stock, namely, CPG, AOC1, Elite, and MPI, will vote in favor of ratifying the appointment of Reyes Tacandong & Co. as the Corporation's external auditor for 2020, with Ms. Michelle Mendoza Cruz as Partner-in-Charge.

There being no comments, on motion made, duly seconded and carried, the common stockholders present ratified the Board's appointment of Reyes Tacandong & Co. as the Corporation's external auditor for 2020, with Ms. Michelle Mendoza Cruz as Partner-in-Charge, to wit:

<u>Vote</u>	<u>Number of Votes</u>	<u>Percentage of Shares Represented</u>
Yes	3,727,670,056	70.09%
No	0	0
Abstain	0	0

and approved the following resolution:

External Auditor for 2020

"RESOLVED, that appointment of Reyes Tacandong & Co. as the Corporation's external auditor for 2020 with Ms. Michelle Mendoza-Cruz as Partner-in-Charge be, as it is hereby, APPROVED, CONFIRMED and RATIFIED."

**IX. Adjournment**

There being no further matters to take up, on motion made and duly seconded, the meeting was adjourned at 10:02 A.M.

The newly elected members of the Board of Directors of the Corporation were requested to attend the Organizational Meeting of the Board, also to be held through remote communication with a different link, following the end of the stockholders' meeting.

CERTIFIED CORRECT:

**RIVA KHRISTINE V. MAALA**  
*Secretary of the Meeting*

Attested by:

**ERNEST K. CUYEGKENG**  
*Chairman of the Board/Meeting*