

**MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS OF  
ALLIANCE GLOBAL GROUP, INC.**

19 September 2017

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

**I. CALL TO ORDER**

The President, Mr. KINGSON U. SIAN, welcomed the stockholders to the meeting. He then turned over the floor to the Executive Director, Mr. KEVIN ANDREW L. TAN, who was designated as the presiding officer of the meeting. Thereafter, the presiding officer called the meeting to order at 9:11 a.m.

**II. CERTIFICATION OF NOTICE AND QUORUM**

The Corporate Secretary, Mr. DOMINIC V. ISBERTO, informed the body that, based on the certification of the Corporation's stock transfer agent, the notices of the Annual Meeting had been sent to stockholders as of 11 August 2017, the record date of the Annual Meeting. He likewise certified that there exists a quorum to transact the business in the agenda, there being present, either in person or by proxy, stockholders holding 81.01% of the subscribed and outstanding capital stock of the Corporation and that only stockholders who have registered may be heard at the meeting.

**III. APPROVAL OF MINUTES OF PREVIOUS ANNUAL MEETING**

Since copies of the Minutes of the Annual Stockholders' Meeting held last 29 September 2016 had earlier been furnished to all stockholders in attendance, upon motion made and duly seconded, the reading of the said minutes was dispensed with and the same were approved.

**IV. REPORT OF MANAGEMENT**

On behalf of the Corporation, DR. ANDREW L. TAN, Chairman and CEO, delivered the management report for the year 2016:

Alliance Global Group, Inc. (AGI) looks back at 2016 with pride. Successfully building on the record setting achievements of 2015, the major subsidiaries of the Group again delivered strongly in terms of financial results and brand positioning in both the local and international markets.

Our net profit amounted to P22.8 billion, up 5% from the previous year's level of P21.7 billion, as consolidated revenues reached P139.7 billion. Net income to owners stood at P14.8 billion, reflecting a 6% year-on-year increase.

Megaworld Corporation broke its own record with net profit growth reported at 12% to P11.6 billion, excluding P82 million in non-recurring gains. Its stellar performance was achieved on the back of a sharp 15% rise in rental income to an all-time high of P10 billion (from P8.7 billion in 2015), while total residential revenues stood at P33.1 billion. The company also benefited from continued operational efficiencies which provided a boost in margins across all business segments.

Emperador Inc. recorded a healthy 11% growth in net profit to P7.7 billion, buoyed by an overall improvement in liquor margins. Consolidated revenues stood at P41 billion, with its high-margin brandy business contributing 72% of total, while its international whisky operations took the balance of 28%. Its flagship Emperador Brandy products maintained

market leadership in the country, while Whyte and Mackay's single malt branded products Dalmore and Jura made their way aggressively in various markets in Asia, Europe, the United States and Travel Retail.

Travellers International Hotel Group, Inc. maintained its profitable performance in 2016 with EBITDA rising by 4% to P6.4 billion despite a highly competitive environment. The country's first integrated resort ended the year with a net profit of P3.4 billion on revenues of P27.5 billion. Gross gaming revenues amounted to P23.6 billion, supported by better win rate and increasing contribution from its non-VIP segment. Revenues from non-gaming activities (which include hotel, F&B, and other sources) grew by 10% to P3.8 billion, benefiting from the diversified offerings that set Travellers apart from the competition.

Golden Arches Development Corporation (GADC) recorded a 62% spike in 2016 net profit to P1.2 billion from P760 million a year before. Sales revenues grew 11% to P22.6 billion coming on the back of an aggressive store expansion program and a robust system-wide same-store sales growth of 7.4%.

Our performance in 2016 underscored our Group's ongoing thrusts to identify and develop new products or ventures that could allow us to diversify risks and ensure a more sustainable growth over the long term. This is also aligned with our ultimate goal of providing our customers with a wide range of pleasant and unique experiences through our varied product offerings and services.

To illustrate, our Megaworld's townships throughout the country serve our customers' needs for community – from our much in-demand residential units to our well-located office buildings and lifestyle malls that have become major leisure attractions. Add to this, Megaworld has tourism estate development projects in popular destinations, such as Boracay Newcoast and Twin Lakes in Tagaytay, that offer unique experiences in a community setting.

Emperador raised the bar in the Philippine liquor market with its varied offerings from our mainstream Emperador Brandy Light products to our aspirational Andy Player Whisky and premium Fundador Brandy, as well as our luxury Dalmore Scotch whisky under Whyte and Mackay. This was made possible by our international acquisitions starting from our vineyard, bodegas and distilleries in Spain to our whisky facilities in Scotland, which transformed Emperador from a purely domestic company into one of the major players in the global spirits market.

Travellers continued to be aggressive with its expansion projects at Resorts World Manila which, once completed, should make it the largest integrated resort in the country with the most hotel offerings. The Marriott Grand Ballroom remains a popular venue for MICE (Meetings, Incentives, Conventions and Exhibitions) events and has been instrumental in the government's global campaign to market the Philippines as a world-class tourism destination.

GADC's McDonald's has achieved increasing popularity among consumers despite tougher competition with the entry of new local and international players in the quick service restaurant business. Aside from keeping its core food offerings relevant, McDonald's has invested heavily in new store openings in strategic and attractive locations. It closed the year with a total of 520 stores nationwide, with 44 new stores opened, including the ones in Abra, Ormoc, Tiongsan, Bogo, Dipolog and Bayombong.

We end 2016 with both an upbeat note and the recognition that the coming years will be more challenging for us all. As we strive to maintain leadership in the various fields where we do business, it is imperative that we nurture the spirit of innovation, hard work and focus that has sustained us through the years. I am both confident and grateful that you and all stakeholders of the AGI Team are one in seeing our overall vision come true.

Thank you.

## **V. OPEN FORUM**

The President made a short presentation on the results for the year 2016. Thereafter, the floor was opened for questions from the stockholders.

Question 1: Good morning. I'm Evangeline Berido. Despite the strong performance of the Group in 2016, how come AGI did not pay out cash dividend this year?

Mr. Kingson U. Sian: Yes. Thank you for the question. We have announced a share buy-back of P5 billion for the next two years and we believe that the share price is hugely undervalued and we believe that this share buy-back will, in the long term, create more value for the company.

Question 2: Good morning. I'm Erika Carig. You mentioned the Group's aggressive thrust into the tourism sector through your hotel projects, like Megaworld and Travellers. How do you reconcile this strategy versus the negative news about the country that could impact tourist arrivals?

Mr. Sian: Well I've shared the numbers earlier. The first half numbers show double digit growth in tourism arrivals. I've mentioned also that our focus towards China and our neighbors in the north have allowed us to increase tourism from these countries, aggressively, with the Chinese being major driver with a 33% growth in the first half. So we are quite positive that the efforts of the government to attract tourists will continue, including the infrastructure projects that are being invested in a lot of tourism sites or contribute to accessing tourism sites by way of airports and roads.

Question 3: Good morning. You have indicated continued high level of CAPEX this year. How does this impact your financial gearing?

Mr. Sian: There was a slide that showed that our net debt position is around 34%. And if you look at the large conglomerates that appear in the market, the range is around 30% to 60% net debt position. We are at the lower end of that range. So we have a lot of capacity if we need to, to gear up, but historically we are quite conservative when it comes to financial management. So we will do so only if we need to do so for our expansion.

Question 4. Hi, Sir. Good morning. My name is Maria Jessica Hernandez. So we understand that housing sales have peaked up, and your own sales reservations have risen strongly in the first half of 2017. Are you launching more projects to take advantage of such improvement in housing demand?

Mr. Sian: Yes. The first half reservation sales hit record high, P58 billion, so we expect more launches this year. We have programmed around P30 billion new launches this year. We have so far launched P18 billion, so there are roughly around P12 billion to go for the rest of the year.

Question 5: Good morning. My name is John Lao. Do you have any plans for IPO for McDonalds?

Mr. Sian: At this point we have no plans. Our goal is to really expand the business. We want to focus on that and there's no requirement for fund raising at this point, at that level, because the cash flow of the company can sustain the expansion of the business. So there is no plan at this point.

Question 6. Good morning. Alfred Reiterer of Philippine Executive Shareholders' Association. Congratulations to your success in 2016. Also congratulations that last Friday you announced that The Capital Group Companies bought more or less 10% of AGI, meaning a big American investor is now an investor and shareholder of AGI. I have not heard something about the P5 billion share buy-back on AGI level. When was it announced? I am not aware of this.

Mr. Dominic Isberto: The buyback will be announced today, this morning.

Alfred Reiterer: P5 billion over a period of two years. And during these two years, there will be no dividend? Did I understand correctly? Not for 2017?

Mr. Sian: Definitely this year there's no dividend. But next year, we have not decided yet. But the non-declaration is only for this year.

Alfred Reiterer: My second question goes to the change in public ownership levels. Several companies of the group do not match the public ownership for next year, Emperador and Travellers. What are your plans to delist it?

Mr. Sian: Of course we need to comply as a publicly listed company. We will study it carefully but certainly if that's a requirement we need to comply.

Alfred Reiterer: So the intention is to stay listed and just increase the public float?

Mr. Sian: Yes, at this point.

Alfred Reiterer: Last question. I do not want to talk about the incident in the Resorts World, but about the future. You did not mention anything about Entertainment City. What is the status? When can we expect the new casino?

Mr. Sian: I think we've reported previously we are redesigning our plan in the Entertainment City. We are about to be finished with that so by next year, we expect to resume construction and by 2021, we should be able to open the first phase.

Question 7: Good morning, Sir. My name is Arra Palma. I'd like to ask how has demand been for your office projects?

Mr. Sian: The demand for office projects continue to remain strong and we are on the path to expand, to build more offices. I think one particular reason why we enjoy good occupancy and take up is because we are not only selling office but our offices are all located within a township community. So we are actually selling part of that lifestyle especially for the young millennials so it's part of the entire environment which is a 24/7 community. So that product continues to enjoy good demand. So we see that for the next foreseeable future that we will continue to expand our portfolio on our office side.

Question 8: Good morning Mr. Chairman. My name is Robert Go. I have a concern about Resorts World Manila in Pasay. It's about Newport Performing Arts Theater. How come it is now becoming a gambling venue now? Cockfighting has already been held three times now. There used to be a Sunday Mass. I am a frequent visitor of Resorts World Manila. How come it is now becoming a cockfight venue?

Mr. Sian: The cockfighting - they are renting from us, we are not the one running it. But yes, we have cockfighting going on currently, but that is only held twice a year. This year there will be three events for cockfighting but the rest of the time we continue to have our shows, our musicals, and in fact Chitty Chitty Bang Bang Musical is coming next month as well as a lot of other concerts.

Mr. Go: What about the Sunday mass? They transferred to Marriott?

Mr. Sian: No, Sir. The Sunday mass has always been held in the mall, not inside the theater. The only time we do mass (inside the theater) are the special mass like Easter, Christmas, and New Year, so the rest of the time the mass is not held inside the theater. It is actually held in the mall.

Question 9: Mr. Chairman, my name is Sam Canoa. This is my first time to attend the Alliance Global (stockholders' meeting) but I am one of the stockholders of Megaworld. Mr. Chairman, can I also speak in Tagalog? May I know what is the earnings in the McDonalds yung sale sa fried chicken, Chicken McDo, dahil sa nangyari sa bird flu? Nakaapekto po ba yun sa sale mismo?

Mr. Sian: Wala naman hong epekto because of course, sa McDonalds, very very strict ho tayo sa ating procurement policy, being part of the global chain so napakahigpit po ng, I mean, we are very strict in our standard when we procure our products, so we will continue to enjoy good revenue this year as well.

Sam Canoa: Yung sa tax reform package ng current administration, gaano ito makakaapekto sa performance or production ng alak o kaya kahit sa McDo, and then andyan si Mr. Sergio, yung dun sa export. So gaano po kalaki yung magiging epekto nito?

Mr. Sian: Sa tax reform, ibababa po yung tax rate ng karamihan ng mga ordinaryong tao so obviously that would mean more money in their pocket, so that would help spur maybe additional consumer spending. Dun naman ho sa liquor, there's already a legislated increase in taxes na ginawa a few years back, so that is still in effect for the next few years so we don't expect that this new tax package will affect the liquor sector kasi meron na hong legislated increases sa liquor. Sa export ho, I'll defer to our Director here.

Mr. Sergio Ortiz-Luis, Jr.: The business sector basically has been supportive of the tax reform. Of course, there will be some sectors that will be affected but I don't think the export sector is affected by that.

Sam Canoa: But I think the tax reform package will also benefit Megaworld because of its infrastructure projects. The current administration is pushing (for) the ODA instead of the PPP projects or the (projects in) cooperation with the private companies, so I think this is of concern also. And last two things, for McDonalds also, I am just observing that the McDonalds, there are no POS terminals anymore. Last 2012, it was launched but it was discontinued and this is also a disappointment for me because I have debit cards and credit cards. The Philippines is pushing for the contactless payments. So can you bring back the POS terminals also in our McDonalds? Can the company try to push it? Please?

Mr. Sian: Pag-aralan ho namin. Salamat ho.

Sam Canoa: One last thing, when I was in Australia, there was also a McDonalds. There was a touchscreen menu. Can you put that touch screen menu? Because I think this is one solution for long queues also. Thank you.

Mr. Sian: Yes, we are considering all of those options. As you rightfully said, in other countries they have those touch screen menus to reduce in-queueing. We will look into that. Pinag aaralan ho iyon.

Question 10: I am Baltazar Endriga. I represent the Shareholders' Association of the Philippines or SharePhil. We are a professional organization devoted to the objective of making the stockholders aware of their responsibilities and rights. Before I ask my questions, I would like to congratulate the management

and the Board of AGI for an excellent performance in the past several years and I hope that the performance in 2017, 2018, and so forth will even be better. Anyway, I have two questions. One is related to the Performing Arts. I note that you have been trying to develop Filipino performing artists in a big way. You have even organized the Organization of Philippine Performing Arts through a formal organization, a foundation. But this was not even mentioned in your reports. I wonder what the thrust is in this area.

Mr. Sian: Thank you for the question, Sir. Yes, through the leadership of our Chairman, Dr. Andrew Tan, we set up a P100 million Original Pilipino Performing Arts Foundation. And the objective there is to fund, to identify deserving students who are studying theater arts, primarily first in Metro Manila but eventually throughout the country. And then we provide scholarships to these deserving students and we've partnered with a number of local schools. That is an ongoing program. We've announced that a few years back so it is a continuing program, the OPPA na tinatawag natin. Since we are promoting Filipino performing artists and performances, we are giving also these students an opportunity to be exposed through our musicals, para they can experience working in an actual project. That is the aim of OPPA.

Baltazar Endriga: This is an excellent move because the Filipinos have a comparative advantage of having great talent in this area. And I think this is commendable that AGI has taken upon itself to promote this. No other organization seems to be doing this from the private sector. I have a second question. One of the things that the Philippines prides itself in is the demographic dividend. However, the population growth will become a burden unless the youth will be educated properly. I wonder if AGI has a strategy in the arena of education and human resource development as some other big companies have already.

Mr. Sian: Thank you for that comment. I just wanted to say that apart from OPPA, Megaworld has a foundation also. We've given away quite a number of scholarships over the last twenty years and also provided them with opportunity for employment along the lines of engineering, architecture, things that are along the line of our business. We've also funded quite a number of schools. We need to build schools so our foundation also has supported a lot of building of schools, in computerization as well. Our goal is to, I guess, be good at what we are doing and to generate as many jobs as possible because only by providing jobs can we help the families kung sino man may employment to help their individual families. But as far as the Company is concerned, we obviously enjoy the demographic dividend because of the increased consumer spending and most of our businesses are focused on that so we continue to be supportive of building capacity when it comes to schools as well as identifying students to provide scholarships.

Baltazar Endriga: Thank you. But before I go, I would like not only to congratulate you, the management and the board, but Mr. Andrew Tan himself. Mr. Andrew Tan was the Most Outstanding Alumnus of the University of the East in 2003, but I would like to say that he is the Most Outstanding Alumnus of the University of the East of all time. Thank you.

Dr. Tan: Thank you.

## **VI. APPOINTMENT OF INDEPENDENT AUDITORS**

Upon motion made and duly seconded, the stockholders approved a resolution appointing Punongbayan and Araullo as the independent auditors of the Corporation for the audit of its financial statements for the year ending December 31, 2017.

## **VII. RATIFICATION OF ACTS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND OFFICERS**

Upon motion made and duly seconded, the stockholders approved a resolution ratifying all acts and resolutions of the Board of Directors, Board Committees, and Officers of the Corporation during the period up to the date of this meeting.

## **VIII. ELECTION OF DIRECTORS**

A representative of the Nomination Committee informed the body of the final list of nominees to the Board of Directors of the Corporation for the current year 2017, as follows: **Andrew L. Tan, Kingson U. Sian, Winston S. Co, Katherine L. Tan, and Kevin Andrew L. Tan**, as regular directors, and **Sergio R. Ortiz-Luis, Jr., and Alejo L. Villanueva, Jr.** as the independent directors.

The Corporate Secretary then informed the Presiding Officer that no further nominations are allowed. Thereafter, since there were only seven nominees to the Board, the Presiding Officer declared all seven nominees elected as Directors.

## **IX. ADJOURNMENT**

Upon motion made and duly seconded, the meeting was adjourned at 10:06 A.M.

PREPARED BY:

**(SGD). DOMINIC V. ISBERTO**  
Corporate Secretary

NOTED:

**(SGD.) ANDREW L. TAN**  
Chairman