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This REIT Plan and the information contained herein are subject to completion or amendment without notice. The Offer Shares may not be sold nor may an offer to buy be accepted prior to the time that the REIT Plan is issued in final form. Under no circumstances shall this REIT Plan constitute an offer to sell or the solicitation of an offer to buy any Offer Shares nor shall there be any offer, solicitation or sale of the Offer Shares in any jurisdiction where such offer or sale is not permitted.

MREIT, INC.
(*incorporated in the Republic of the Philippines*)

Offer of **844,300,000** Common Shares
with an Overallotment Option of up to 105,537,500 Common Shares

Offer Price: **₱16.10** per share

to be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.

Investing in the Offer Shares involves risks. See "Risk Factors" beginning on page 27.

Sponsor and Selling Shareholder
MEGAWORLD CORPORATION

Fund Manager
MREIT Fund Managers, Inc.

Property Manager
MREIT Property Managers, Inc.

Joint Global Coordinators and Joint Bookrunners

BDO Capital
Credit Suisse
DBS

International Bookrunners

DBS
Credit Suisse
CLSA

Domestic Lead Underwriter

BDO Capital

Domestic Co-Lead Underwriters

First Metro Investment Corporation
ICCP
RCBC Capital Corporation
SB Capital

Selling Agents
Eligible Trading Participants of The Philippine Stock Exchange, Inc.

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS REIT PLAN IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

The date of this REIT Plan is September 9, 2021

MREIT, Inc.
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City
Philippines
Telephone Number: (+632) 8-894-6331
www.mreit.com.ph

This REIT plan (the "**REIT Plan**") relates to the offer and sale to the public of **844,300,000** common shares (the "**Firm Shares**") with an Overallotment Option (as defined below) of up to 105,537,500 common shares (the "**Option Shares**", and together with the Firm Shares, the "**Offer Shares**"), each common share with a par value of ₱1.00 (the "**Shares**"), of MREIT, Inc. (formerly Megaworld Holdings, Inc.) ("**we**", "**us**", "**our**", "**MREIT**" or our "**Company**"), a corporation organized and existing under Philippine law and operating as a real estate company.

Upon compliance with the requirements of Republic Act No. 9856, the Real Estate Investment Trust Act of 2009 (the "**REIT Law**", and together with the relevant implementing rules and regulations as issued by the responsible Government authorities, the "**REIT Regulations**"), our Company shall operate as a real estate investment trust ("**REIT**"). The REIT Law defines a REIT as stock corporation established in accordance with Republic Act No. 11232, the Revised Corporation Code of the Philippines (the "**Corporation Code**") and the rules and regulations promulgated by the Securities and Exchange Commission of the Philippines ("**Philippine SEC**") principally for the purpose of owning income-generating real estate assets. Although under the REIT Law, such entity is called a "trust," the term was adopted for the sole purpose of aligning with global best practices and terminology, and a REIT organized under Philippine laws is subject to the Corporation Code as a stock corporation and does not operate under the same regime as trusts generally under applicable laws and regulations governing trusts.

The Firm Shares will comprise **844,300,000** existing Shares offered by Megaworld Corporation ("**Megaworld**", the "**Selling Shareholder**" and the "**Sponsor**") pursuant to a secondary offer. The Option Shares will comprise up to 105,537,500 issued Shares owned by the Sponsor to be offered by way of a secondary offer. The offer of the Offer Shares is referred to herein as the "**Offer**."

Pursuant to our amended articles of incorporation, as approved by the Board of Directors on April 7, 2021 and approved by the Philippine SEC on May 19, 2021, our Company has an authorized capital stock of ₱5,000,000,000.00 divided into 5,000,000,000 Shares, of which 2,532,121,381 Shares are issued and outstanding as of the date of this REIT Plan.

The Firm Shares shall be offered at a price of **₱16.10** per Share (the "**Offer Price**"). The determination of the Offer Price is described on page 63 of this REIT Plan and was based on a book-building process and discussion between our Company, BDO Capital & Investment Corporation ("**BDO Capital**"), Credit Suisse (Singapore) Limited ("**Credit Suisse**") and DBS Bank Ltd. ("**DBS**") as the joint global coordinators and joint bookrunners (Credit Suisse and DBS, together with BDO Capital, the "**Joint Global Coordinators and Joint Bookrunners**"), CLSA Limited ("**CLSA**", and together with Credit Suisse and DBS, the "**International Bookrunners**", and each an "**International Bookrunner**"), BDO Capital as the domestic lead underwriter (the "**Domestic Lead Underwriter**") and First Metro Investment Corporation, Investment & Capital Corporation of the Philippines, RCBC Capital Corporation and SB Capital Investment Corporation as the domestic co-lead underwriters (collectively, the "**Domestic Co-Lead Underwriters**", and together with the Domestic Lead Underwriter, the "**Domestic Underwriters**").

The Offer Shares will be listed and traded on the Main Board of The Philippine Stock Exchange, Inc. (the "**PSE**") under the trading symbol "MREIT."

253,290,000 Firm Shares (or 30% of the Firm Shares) (the "**Trading Participants and Retail Offer Shares**") are being offered in the Philippines through all of the REIT eligible Trading Participants of the PSE (the "**Eligible PSE Trading Participants**") and to local small investors ("**LSI**") under the Local Small Investors Program (subject to re-allocation as described below) (the "**Trading Participants and Retail Offer**"). The number of Offer Shares to be made available to the Eligible PSE Trading Participants and LSIs will be 168,860,000 Firm Shares and 84,430,000 Firm Shares, respectively, or 20% and 10%, respectively, subject to final allocation as may be determined by the Joint Global Coordinators and Joint Bookrunners.

591,010,000 Firm Shares (or 70% of the Firm Shares) (the "**Institutional Offer Shares**"), are (subject to re-allocation as described below) being offered for sale (i) outside the United States by the International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, and (ii) to certain qualified buyers and other investors in the Philippines (the "**Institutional Offer**").

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Joint Global Coordinators and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

Pursuant to the approval of the Philippine SEC dated August 24, 2021, the Selling Shareholder has appointed BDO Capital and its relevant affiliates to act as the stabilizing agent (the "**Stabilizing Agent**"). The Stabilizing Agent has an option exercisable in whole or in part for a period beginning on or after the initial listing of the Offer Shares on the PSE (the "**Listing Date**") and, if exercised, ending on a date no later than 30 calendar days from and including the Listing Date, to purchase the Option Shares at the Offer Price from the Selling Shareholder, on the same terms and conditions as the Firm Shares as set forth in this REIT Plan, solely to cover overallotments, if any (the "**Overallotment Option**"). In connection with the Offer, the Stabilizing Agent or any person acting on its behalf may over-allot Offer Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any stabilization activities may begin on or after the date on which adequate public disclosure of the final price of the Offer Shares is made and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed 15% of the aggregate number of the Firm Shares. If the Stabilizing Agent commences any stabilization activities (which would include thereafter disposing of or selling the Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end.

Upon completion of the Offer, a total of 2,532,121,381 Shares will be issued and outstanding. The Offer Shares will represent approximately **37.5%** of the issued and outstanding capital stock of MREIT after completion of the Offer, assuming the full exercise of the Overallotment Option, and approximately **33.3%** of the issued and outstanding capital stock of MREIT after completion of the Offer, assuming no exercise of any Overallotment Option. Upon completion of the Offer, the Shares owned by the Sponsor will represent approximately 62.1% of the issued and outstanding capital stock of MREIT, assuming the full exercise of the Overallotment Option, and approximately 66.3% of the issued and outstanding capital stock of MREIT, assuming no exercise of any Overallotment Option.

Our Company will not receive any proceeds from the Offer and there will be no change in the total outstanding capital stock after the Offer, as the Offer comprises secondary offers of shares by the Selling Shareholder. The Selling Shareholder's total proceeds to be raised from the sale of the Firm Shares will be approximately ₱13,593.23 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder shall be ₱13,045.80 million. Assuming full exercise of the Overallotment Option, the total proceeds to be raised by the Selling Shareholder from the sale of the Offer Shares will be approximately ₱15,292.38 million. The Selling Shareholder will receive net proceeds of approximately ₱14,694.67 million from the sale of the Offer Shares, assuming full exercise of the Overallotment Option (after deducting fees and expenses payable by the Selling Shareholder). For a more detailed discussion on the use of net proceeds by the Selling Shareholder, see "*Use of Proceeds*" and Annex 1 (*Reinvestment Plan*). For a more detailed discussion on the Selling Shareholder's shareholding see "*Principal and Selling Shareholder*."

The International Bookrunners and the Domestic Underwriters will receive a transaction fee from the Selling Shareholder of up to 2.25% of the gross proceeds from the sale of the Offer Shares. The transaction fee includes the amounts to be paid to other participating underwriters and selling agents, if any and where applicable, but does not include the commissions and fees to be paid to the Eligible PSE Trading Participants by the Selling

Shareholder. The estimated underwriting, selling and Trading Participant ("**TP**") fees amount to approximately ₱27.2 million, assuming that the Overallotment Option is fully exercised. The estimated underwriting, selling and TP fees amount to approximately ₱27.2 million, assuming that the Overallotment Option is not exercised. Any Firm Shares left unsubscribed after the Offer Period will be underwritten on a firm commitment basis by the International Bookrunners and the Domestic Underwriters. For a detailed discussion on the underwriting commitment, the distribution of the Firm Shares and the underwriting commitment, see "*Plan of Distribution*" on page 266.

All of the Offer Shares have identical rights and privileges to the issued and outstanding Shares of the Company. For a detailed discussion of the rights and features of the shares of stock of the Company, including the Offer Shares, see "*The Formation and Structure of MREIT—Description of Shares*" on page 194.

Each shareholder will be entitled to such dividends as set forth and subject to the conditions under the REIT Regulations. In particular, the REIT Law requires a REIT to distribute annually a total of at least 90% of its net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with internationally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are reinvested by the REIT within one year from the date of the sale) as dividends to its shareholders. The percentage of dividends with respect to any class of stock to be received by Shareholders to the total dividends distributed by the Company from its distributable income shall not be less than such percentage of their aggregate ownership of the total outstanding shares of the Company. Such dividends shall be payable only from the unrestricted retained earnings of the Company, and the income distributable as dividends by the Company shall be based on the audited financial statements for the recently completed fiscal year prior to the prescribed distribution. A REIT may declare either cash, property, or stock dividends. However, the declaration of stock dividends must be approved by at least a majority of the entire membership of the Board of Directors, including the unanimous vote of all our independent Directors, and stockholders representing not less than two-thirds of the outstanding capital stock at a regular meeting or special meeting called for that purpose. Any such stock dividend declaration is also subject to the approval of the Philippine SEC within five working days from receipt of the request for approval. If the Philippine SEC does not act on said request within such a period, the declaration shall be deemed approved. For further discussion, see "*Dividends and Dividend Policy*" beginning on page 59.

We filed a Registration Statement with the Philippine SEC on June 16, 2021, in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "**SRC**") for the registration of all the issued and outstanding Shares of the Company and the Offer Shares. On August 3, 2021, the Philippine SEC approved the Registration Statement and issued a Pre-Effective Letter. Upon compliance with the requirements of the Pre-Effective Letter, we expect the Philippine SEC to issue the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale.

The listing of the Offer Shares is subject to the approval of the PSE. On June 16, 2021, we filed our application for the listing and trading of the issued and outstanding Shares of our Company and the Offer Shares. On August 9, 2021, the PSE Board approved the listing application subject to compliance with certain conditions. The PSE's approval of the listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE.

The purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. In particular, the Philippine Constitution and other Philippine laws and regulations require that ownership of companies that own land be limited to citizens of the Philippines, or Philippine Nationals, which include corporations or associations organized under the laws of the Philippines of which at least 60% of the capital stock outstanding is owned and held by citizens of the Philippines. Currently, our Company does not own any land. Nevertheless, because the Company's Articles of Incorporation authorizes the Company to acquire land, which may include land in the Philippines, foreign shareholdings in our Company may not exceed 40% of our total issued and outstanding capital stock. See "*Regulatory and Environmental Matters*" on page 229.

We, together with the Selling Shareholder, reserve the right to withdraw the offer and sale of the Offer Shares at any time, and the Joint Global Coordinators and Joint Bookrunners reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall make the necessary disclosures to the Philippine SEC and the PSE.

Unless otherwise indicated, all information in this REIT Plan is as of the date of this REIT Plan. Neither the delivery of this REIT Plan nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

Summary Information on MREIT and the Portfolio

MREIT was incorporated under Philippine law on October 2, 2020 under the name of Megaworld Holdings, Inc. with an authorized capital stock of ₱5,000,000,000.00 divided into 50,000,000 common shares with a par value of ₱100.00 per share. On May 19, 2021, our Company's Articles of Incorporation and By-Laws were amended: (a) changing our Company's name to MREIT, Inc. to align with our Company's primary purpose to engage in the business of a real estate investment trust as provided under the REIT Regulations; (b) changing the par value of our Company's common share from ₱100.00 to ₱1.00 per share, therefore resulting in our Company's authorized capital stock of ₱5,000,000,000.00 being divided into 5,000,000,000 common shares with a par value of ₱1.00 per share; (c) increasing our number of directors from five to seven; and, (d) changing our Company's fiscal year to end on June 30, instead of December 31. As of the date of this REIT Plan, we have 2,532,121,381 Shares issued and outstanding. We have no preferred shares and no Shares held in treasury.

As of the date of this REIT Plan, our Company is 99.6% owned by our Sponsor, Megaworld Corporation. Our Company presently does not have any Subsidiaries. Upon completion of the Offer, the Shares owned by the Sponsor will represent approximately 62.1% of the issued and outstanding capital stock of MREIT, assuming the full exercise of the Overallotment Option, and approximately 66.3% of the issued and outstanding capital stock of MREIT, assuming no exercise of any Overallotment Option.

MREIT, a company designated by our Sponsor to operate as a REIT, leases to a diversified tenant base a high quality portfolio (the "**Portfolio**") of 10 office, hotel, retail and other assets (the "**Properties**" and each, a "**Property**") across the Philippines with an aggregate GLA of 224,430.8 sqm as of March 31, 2021. Our Portfolio consists of commercial spaces primarily leased for office purposes, which may also be used and leased for retail purposes as required.

The principal investment mandate and strategy of MREIT is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Through our Fund Manager, our Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a Competitive Investment Return to our investors. See "*Business and Properties—Investment Policy*."

In contemplation of the Offer and in compliance with applicable regulatory requirements of the Philippine SEC for companies seeking registration of their securities, we entered into and implemented the "**REIT Formation Transactions**" as follows: On May 3, 2021, a Deed of Exchange of Property for Shares (the "**May 3, 2021 Deed**") was entered into between our Company and the Sponsor whereby, subject to the Philippine SEC's confirmation of the valuation of the Properties and issuance by the BIR of the Certificate Authorizing Registration ("**CAR**"), the Sponsor transferred, assigned and conveyed absolutely in favor of our Company all of its rights, title and interest in the Properties, free from liabilities, debts, liens and encumbrances, in consideration of our Company's issuance to the Sponsor of 1,282,120,381 common shares with a par value of One Peso (₱1.00) per share and Additional Paid In Capital ("**APIC**") of ₱47,920,287,239.00 (the "**Property-for-Share Swap**"). On even date, lease agreements over the lands on which the Properties stand were entered into by our Company and the Sponsor. On May 19, 2021, in furtherance of the transfer, assignment and conveyance in favor of our Company of all of the Sponsor's rights, title and interests in the Properties in exchange for our Company's common shares, our Company and the Sponsor entered into a Deed of Assignment of Leases assigning all of the Sponsor's rights and interests in and to the lease agreements over portions of the Properties leased out to various entities effective upon the issuance of our Company's common shares in the name of the Sponsor under the May 3, 2021 Deed. On June 1, 2021, the Philippine SEC issued its confirmation of the valuation of the Properties. The CARs were issued by the Revenue District Officers of Iloilo City, Quezon City and Taguig City for the Properties which led to the issuance of the Tax Declarations for the Properties in the name of our Company. The Properties were swapped for 1,282,120,381 common shares of our Company, the stock certificate for which was issued on June 2, 2021.

Our initial Portfolio comprising the 10 Properties with an aggregate GLA of 224,430.8 sqm as of March 31, 2021 and with an aggregate appraised value of ₱49,316.0 million (US$1,017.5 million) based on the Valuation Report issued by Santos Knight Frank, Inc. ("**SKF**") are located in central business districts ("**CBDs**") across Metro Manila, primarily in Taguig City and Quezon City, and in Iloilo City outside of Metro Manila.

The table below provides details of each Property as indicated. All of the Properties were developed by our Sponsor, Megaworld Corporation. All of the Properties are owned by our Company and stand on land leased from the Sponsor for an aggregate period of 50 years.[1] As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[2] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. The impact of such rent payment will be reflected in the financial projection for the fiscal year ending June 30, 2024 as an increase in expenses. As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years.

All Properties are PEZA-registered and/or located in PEZA-registered zones. In spite of the community quarantine imposed by the Government due to the coronavirus pandemic, the Properties enjoy pre-COVID-19 occupancy levels due largely to the sustained operations of the BPO office tenants. Our Properties have enjoyed consistently high occupancy rates thus earning stable rental revenues. Our Portfolio has a weighted average lease expiry ("**WALE**") of 4.7 years (by GLA) as of March 31, 2021.

	Year Completed	**Registration/ Certification**	**Office Grade[(1)]**	**GLA (sqm)**	**% of Total Portfolio GLA**	**Appraised Value (₱ million)[(2)]**
One World Square	2007	PEZA-registered Zone	A	30,481.7	13.6%	8,018.0
Two World Square	2009	PEZA-registered Zone	A	21,286.4	9.5%	5,501.0
Three World Square	2010	PEZA-registered Zone	A	21,216.6	9.5%	5,190.0
8/10 Upper McKinley Building	2009	PEZA-registered Zone	A	19,937.5	8.9%	4,660.0
18/20 Upper McKinley Building	2009	PEZA-registered Zone	A	19,413.8	8.7%	4,337.0
1880 Eastwood Avenue	2007	PEZA	A	33,743.8	15.0%	6,790.0
1800 Eastwood Avenue	2006	PEZA	A	34,738.2	15.5%	7,706.0
E-Commerce Plaza	2008	PEZA	A	20,940.2	9.3%	4,279.0
Richmonde						
Richmonde Tower	2016	PEZA-registered Zone	A	6,354.8	2.8%	866.0
Richmonde Hotel Iloilo	2016	PEZA-registered Zone	A	6,769.1	3.0%	799.0
One Techno Place Iloilo	2017	PEZA-registered Zone	A	9,548.7	4.3%	1,170.0
Total				**224,430.8**	**100.0%**	**49,316.0**

Notes:
(1) According to LPC, Grade A office buildings boast of high-quality interior designs and exterior finishing and are centrally located in major business districts. Grade A buildings typically feature floor plates of not less than 1,000 sqm. Grade A buildings also feature a good tenant mix and profile.
(2) As of March 31, 2021. See Annex 3 (Valuation Reports) appended to this REIT Plan.

1 The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

2 First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

Summary Information on our Sponsor, the Fund Manager and the Property Manager

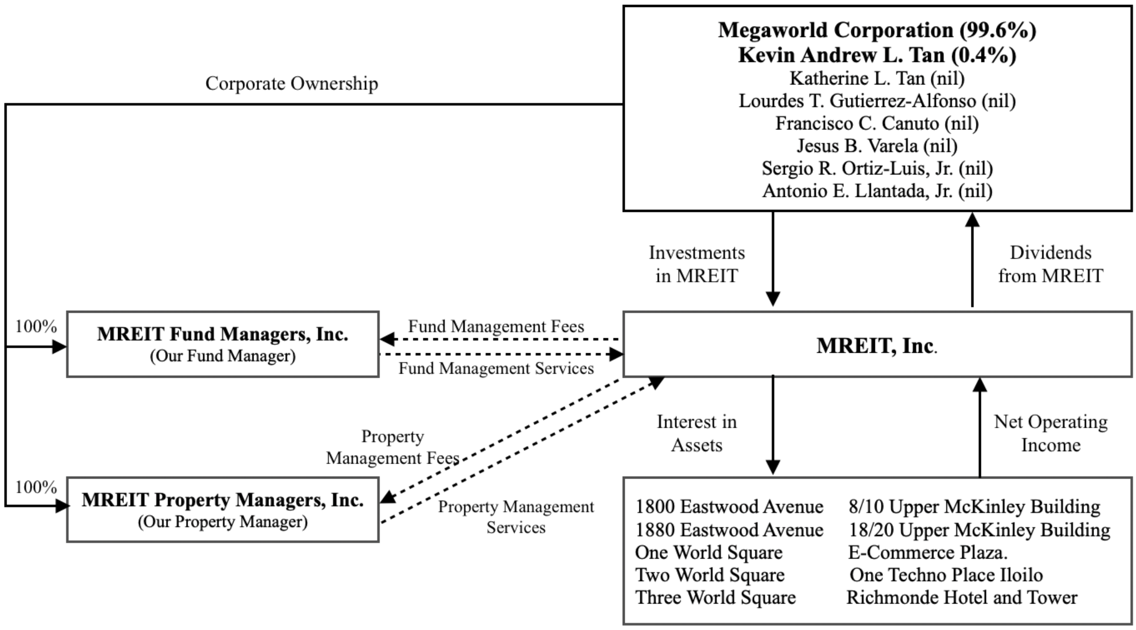
Our Sponsor, Megaworld Corporation, is the largest developer and owner of office buildings in the Philippines as of December 31, 2020, according to LPC. As of March 31, 2021, Megaworld has a total GLA of 1.4 million sqm in leasable office space. Since its incorporation in 1989, Megaworld has launched more than 725 residential buildings, 72 premier offices, 24 lifestyle malls and commercial centers and 12 hotel brands including condotels as of December 31, 2020.

The Sponsor was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 under the name of Megaworld Properties & Holdings, Inc. The Sponsor was primarily organized to engage in real estate development, leasing and marketing. In 1994, the Sponsor spun off Empire East Land Holdings, Inc. which focused on the middle-income market. On August 19, 1999, the Sponsor changed its name to Megaworld Corporation to coincide with the Sponsor's conversion from a purely real estate company into a holding company, although the Sponsor continues to focus on its core competence in real estate development. The Sponsor's common stock was first listed on the PSE on June 15, 1994 (under listing code "MEG") and as of March 31, 2021 had a market capitalization of ₱114.1 billion (US$2.4 billion). As of the date hereof, the authorized representative of the Sponsor, as the selling shareholder, is its Chief Operating Officer, Ms. Lourdes T. Gutierrez-Alfonso.

Our Fund Manager is MREIT Fund Managers, Inc., a corporation organized under the laws of the Philippines on November 18, 2020. Its registered office is at the 19th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City. Our Fund Manager is a wholly owned subsidiary of the Sponsor. Our Fund Manager's main responsibility is to manage our Company's assets and liabilities for the benefit of our Company's Shareholders, with a focus on generating Rental Income and, if appropriate, increasing our Company's assets over time so as to enhance the returns from the investments of the MREIT and, ultimately, the distributions to our Company's Shareholders.

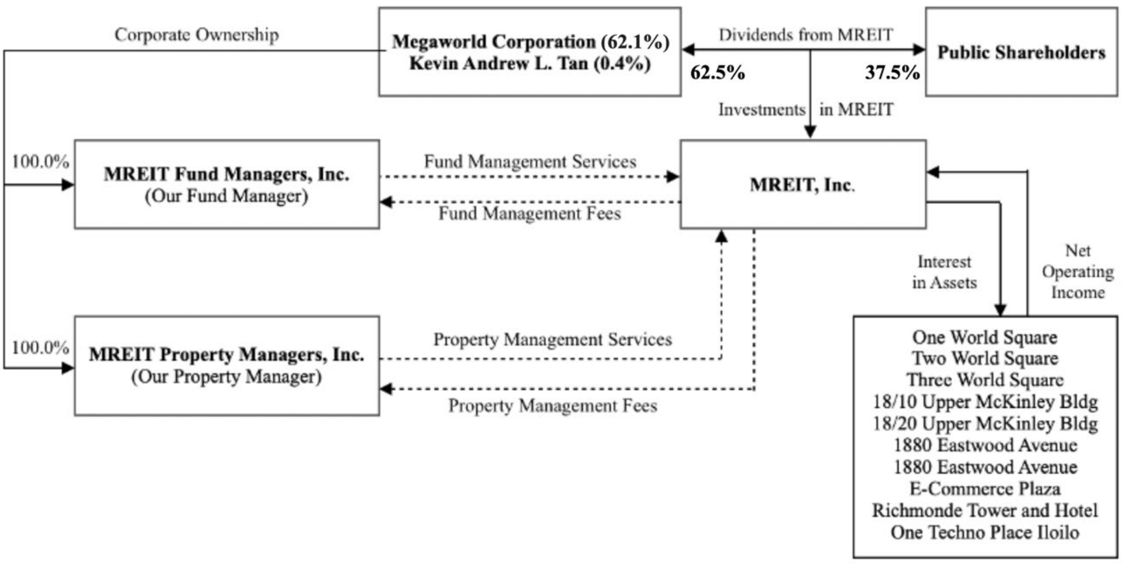
Our Property Manager is MREIT Property Managers, Inc., a corporation organized under the law of the Philippines on October 13, 2020. Its registered office is at the 19th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City. Our Property Manager is a wholly owned subsidiary of the Sponsor. Pursuant to the Property Management Agreement entered on May 12, 2021 between our Company and our Property Manager, our Property Manager shall have the overall responsibility for the day-to-day facilities management of the Properties, marketing of the office and retail spaces therein, management of client accounts, lease administration, operations management, and handling of tenant relations. Specifically, our Property Manager will oversee negotiation and execution of lease contracts, enforcement of lease terms and conditions, and awarding, extension, and termination of leases; supervision of billing and collection of rentals and other payments from tenants, as well as monitoring of past due accounts and receivables; and, building management operations relating to security, utilities, repairs, and maintenance, emergency management, including engagement of contractors for such purpose.

The operational structure and the relationship of the various parties are illustrated as follows:

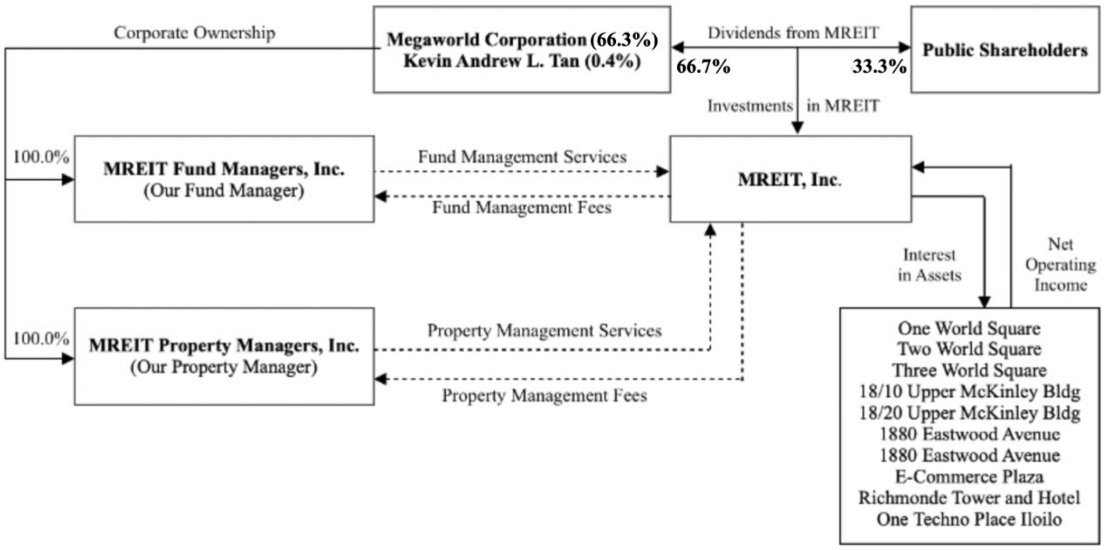


After the Offering, the operational structure and relationship of the various parties are illustrated as follows:

(i) Assuming the full exercise of the Overallotment Option:



(ii) Assuming non-exercise of the Overallotment Option:



The Offer Shares are offered subject to the receipt and acceptance of any order by the Company and subject to the Company's right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository & Trust Corp. ("**PDTC**").

In making an investment decision, investors are advised to carefully consider all the information contained in this REIT Plan, including risks associated with an investment in the Offer Shares. These risks include:

- risks relating to our business and our properties;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to the presentation of information in this REIT Plan.

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" on page 27 of this REIT Plan, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and the representations made in the REIT Plan.

The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this REIT Plan. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this REIT Plan. An application has been made with the Philippine SEC to register the sale and offer of the Offer Shares under the provisions of the SRC.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

MREIT, Inc.
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City
Philippines
Telephone Number: (+632) 8-894-6331
www.mreit.com.ph

By:

KEVIN ANDREW L. TAN
President and Chief Executive Officer

Republic of the Philippines)
Done in the City of MAKATI CITY) S.S.

Before me, a notary public in and for the city named above, personally appeared KEVIN ANDREW L. TAN, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this ____ day of SEP 0 9 2021 at MAKATI CITY, Philippines.

Doc. No. 210;
Page No. 43;
Book No. I;
Series of 2021.

JULIENNE ANGELA B. DEL ROSARIO
Appointment No. M-227
Notary Public for Makati City
Until December 31, 2022
Liberty Center-Picazo Law
104 H.V.Dela Costa Street, Makati City
Roll of Attorney's No. 74725
PTR No. 8535733/Makati City/01-05-2021
IBP No. 137924/Cagayan /01-05-2021
MCLE Exempted-Admitted to the bar in 2020

NOTICE TO INVESTORS

The Offer Shares are offered subject to receipt and acceptance of any order by us and subject to our right to reject any order in whole or in part in consultation with the Joint Global Coordinators and Joint Bookrunners. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the PDTC.

The information contained in this REIT Plan relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. Each of the Company and the Domestic Underwriters has exercised diligence to the effect that, and the Company confirms that, after having taken reasonable care to ensure that such is the case, as of the date of this REIT Plan, the information contained in this REIT Plan relating to the Company and its operations is true and there is no material misstatement or omission of fact which would make any statement in this REIT Plan misleading in any material respect and the Company and Domestic Underwriters hereby accept responsibility under and in accordance with the Securities Regulation Code for the accuracy of the material information contained in this REIT Plan relating to the Company and its operations.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS REIT PLAN ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No representation or warranty, express or implied, is made by us, the Selling Shareholder or the International Bookrunners and the Domestic Underwriters regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. The contents of this REIT Plan are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of us and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this REIT Plan, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this REIT Plan, agrees to the foregoing.

No person has been authorized to give any information or to make any representations other than those contained in this REIT Plan and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, the Selling Shareholder, the International Bookrunners and the Domestic Underwriters. This REIT Plan does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this REIT Plan nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The distribution of this REIT Plan and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. We, the Selling Shareholder and the International Bookrunners and the Domestic Underwriters require persons into whose possession this REIT Plan comes to inform themselves about and to observe any such restrictions. This REIT Plan does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this REIT Plan and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and none of the International Bookrunners and the Domestic Underwriters, the Selling Shareholder or we shall have any responsibility therefor.

In connection with the Offer, the Stabilizing Agent or any person acting on its behalf may over-allot Offer Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any stabilization activities may begin on or after the date on which adequate public disclosure of the final price of the Offer Shares is made and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed 15.0% of the aggregate number of the Firm Shares. If the Stabilizing Agent commences any stabilization activities (which would include thereafter disposing of or selling the Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end.

We, together with the Selling Shareholder, reserve the right to withdraw the offer and sale of Offer Shares at any time. In consultation with the International Bookrunners and the Domestic Underwriters, we reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall subsequently notify the Philippine SEC and the PSE. The International Bookrunners and the Domestic Underwriters and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this REIT Plan, agrees to the foregoing.

CONVENTIONS USED IN THIS REIT PLAN

In this REIT Plan, unless otherwise specified or the context otherwise requires, all references to our "**Company**," "**MREIT**," "**we**," "**us**" or "**our**" are to MREIT, Inc.. All references to "**Megaworld**", the "**Selling Shareholder**" or to the "**Sponsor**" are to Megaworld Corporation.

All references to the "**BSP**" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to the "**Government**" are references to the government of the Republic of the Philippines. All references to "**United States**" or "**U.S**." are to the United States of America. All references to "**Philippine Pesos**" and "**₱**" are to the lawful currency of the Philippines, and all references to "**U.S. dollars**" or "**US$**" are to the lawful currency of the United States.

Certain terms used herein are defined in the "*Glossary*" contained elsewhere in this REIT Plan.

PRESENTATION OF CERTAIN DATA AND OPERATING INFORMATION

This REIT Plan contains industry information obtained from publicly available sources and an independent market research study conducted by Leechiu Property Consultants Inc. ("**LPC**") to provide an overview of the office property market generally in the Philippines (the "**LPC Report**"). In addition, the LPC Report includes an overview of the Eastwood City, McKinley Hill, and Iloilo Business Park micromarkets, the full version of which is attached to this REIT Plan as Annex 4 (*Office Market Research Report*). LPC has relied upon external third-party information in producing the LPC Report and there is no assurance that such information is accurate or complete.

This REIT Plan also includes industry forecasts, market research, Government data, publicly available information and/or industry publications relating to the Philippines and have not been independently verified, and none of the Company, the Sponsor, the International Bookrunners and the Domestic Underwriters makes any representation or warranty, express or implied, as to the accuracy or completeness of such information, and each of them shall not be held responsible in respect of any such information and shall not be obliged to provide any updates on the same. The extent to which the market and industry data used in this REIT Plan is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which our business is conducted, and methodologies and assumptions may vary widely among different industry sources. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed.

Certain Company information used throughout this REIT Plan has been calculated by us on the basis of certain assumptions, including with reference to the independent property valuation reports prepared by SKF as set out in Annex 3 (*Valuation Reports*) to this REIT Plan. As a result, this operating information may not be comparable to similar operating information reported by other companies.

EXCHANGE RATE INFORMATION

This REIT Plan contains translations of certain Peso amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of US$1.00 = ₱48.466, the BSP Reference Rate quoted in the BSP's Daily Reference Exchange Rate Bulletin on March 31, 2021. See "*Exchange Rates*" on page 62 of this REIT Plan for further information regarding the rates of exchange between the Philippine Peso and the U.S. dollar.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are reported in Philippine Pesos and are prepared based on our accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines.

The financial information included in this REIT Plan has been derived from our financial statements. Unless otherwise indicated, financial information relating to us in this REIT Plan is stated in accordance with PFRS.

Figures in this REIT Plan have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

This REIT Plan includes the following financial statements: (i) audited combined carve-out financial statements as of and for the years ended June 30, 2020, 2019, 2018 and 2017, and audited combined carve-out interim financial statements as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020 (collectively, the "**Combined Carve-out Financial Statements**"), which were prepared in compliance with PFRS; (ii) pro forma condensed interim financial statements as of March 31, 2021 and for the nine months ended March 31, 2021 and as of and for the year ended June 30, 2020 (the "**Pro Forma Financial Statements**"); (iii) the historical audited financial statements of MREIT (formerly Megaworld Holdings, Inc.) prior to its designation as a REIT Company as of December 31, 2020 and for the period October 2, 2020 to December 31, 2020; and (iv) the historical audited interim financial statements of MREIT (formerly Megaworld Holdings, Inc.) prior to its designation as a REIT Company as of and for the three months ended March 31, 2021.

Our fiscal year begins on July 1 and ends on June 30 of each year. P&A Grant Thornton has (i) audited our combined carve-out financial statements as of and for the years ended June 30, 2020, 2019, 2018 and 2017 and as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020, in accordance with Philippine Standards on Auditing ("**PSA**") and (ii) audited our historical financial statements as of December 31, 2020 and for the period October 2, 2020 to December 31, 2020, and our historical interim financial statements as of and for the three months ended March 31, 2021. P&A Grant Thornton has examined (i) our Company's Profit Projection included in this REIT Plan in accordance with Philippine Standard on Assurance Engagements ("**PSAE**") 3400, *The Examination of Prospective Financial Information*. *Philippine Standard on Assurance Engagements*, and (ii) completed its assurance engagement to report on the compilation of our Company's pro forma condensed interim financial statements as of March 31, 2021 and for the nine months ended March 31, 2021 and as of and for the year ended June 30, 2020 in accordance with PSAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*.

In this REIT Plan, unless otherwise specified, references to "2017", "2018", "2019" and "2020" refer to the fiscal years ended June 30, 2017, 2018, 2019 and 2020, respectively. The financial information for such periods used in this REIT Plan is extracted or otherwise derived from the above financial statements included in this REIT Plan. Unless otherwise indicated, financial information relating to us in this REIT Plan is stated in accordance with PFRS.

In contemplation of the Offer and in compliance with applicable regulatory requirements of the Philippine SEC for companies seeking registration of their securities, we entered into and implemented the REIT Formation Transactions as follows: On May 3, 2021, a Deed of Exchange of Property for Shares (the "**May 3, 2021 Deed**") was entered into between our Company and the Sponsor whereby, subject to the Philippine SEC's confirmation of the valuation of the Properties and issuance by the BIR of the Certificate Authorizing Registration ("**CAR**"), the Sponsor transferred, assigned and conveyed absolutely in favor of our Company all of its rights, title and interest in the Properties, free from liabilities, debts, liens and encumbrances, in consideration of our Company's issuance to the Sponsor of 1,282,120,381 common shares with a par value of One Peso (₱1.00) per share and Additional Paid In Capital ("**APIC**") of ₱47,920,287,239.00 (the "**Property-for-Share Swap**"). On even date, lease agreements over the lands on which the Properties stand were entered into by our Company and the Sponsor. On May 19, 2021, in furtherance of the transfer, assignment and conveyance in favor of our Company of all of the Sponsor's rights, title and interests in the Properties in exchange for our Company's common shares, our Company and the Sponsor entered into a Deed of Assignment of Leases assigning all of Sponsor's rights and interests in and to the lease agreements over portions of the Properties leased out to various entities effective upon the issuance of our Company's common shares in the name of the Sponsor under the May 3, 2021 Deed. On June 1, 2021, the Philippine SEC issued its confirmation of the valuation of the Properties. The CARs were issued by the Revenue District Officers of Iloilo City, Quezon City and Taguig City for the Properties which led to the issuance of the Tax Declarations for the Properties in the name of our Company. The Properties were swapped for 1,282,120,381 common shares of our Company, the stock certificate for which was issued on June 2, 2021.

Combined Carve-out Financial Statements

The Combined Carve-out Financial Statements are prepared on the basis of the assumption that all the Properties subject of the Property-for-Share Swap were part of MREIT for such period prior to the REIT Formation Transactions. The Combined Carve-out Financial Statements have been prepared to provide the financial position of the Properties subject of the Property-for-Share Swap as of June 30, 2020, 2019, 2018 and 2017 and as of March 31, 2021, and their financial performance and their cash flows for the years then ended and for the nine months ended March 31, 2021 and 2020, by separating the historical financial information pertaining to the Properties subject of the Property-for-Share Swap out of the Sponsor's audited financial statements in accordance with PFRS.

The historical financial information of MREIT (prior to its designation as a REIT entity) is different from the financial information of the Properties which is the subject to the accompanying Combined Carve-out Financial Statements. As such, the Combined Carve-out Financial Statements may not be representative of the financial position of MREIT for future periods. The accompanying combined carve-out financial statements of the Properties have been prepared for inclusion in the REIT Plan for submission to the Philippine SEC.

PFRS does not include specific guidance for preparation of combined and carve-out financial statements. See Note 2.1 of the Combined Carve-out Financial Statements elsewhere in this REIT Plan for further details on the principles used in the preparation of the combined and carve-out financial statements of the Properties.

Based on management judgment, our Company can prepare the Combined Carve-out Financial Statements because the assets to be combined are ultimately under common control by Megaworld during the periods presented, and the Combined Carve-out Financial Statements will provide the historical combined financial position and performance and cash flows of the combined assets which are intended to be used by a wide range of users, including potential investors in MREIT, Megaworld's stockholders and the public, who cannot otherwise obtain the financial information through other means.

For more information, please refer to our audited financial statements as of and for the years ended June 30, 2020, 2019, 2018 and 2017 and as of and for the nine months ended March 31, 2021 and 2020, contained elsewhere in this REIT Plan.

Pro Forma Financial Statements

This REIT Plan also includes unaudited pro forma condensed interim financial statements as of March 31, 2021 and for the nine months ended March 31, 2021 and for the year ended June 30, 2020 (the "**Pro Forma Financial Statements**"). The Pro Forma Financial Statements have been prepared solely for the inclusion in this REIT Plan and should be read in conjunction with the audited financial statements of the Company as of and for the years ended June 30, 2020, 2019, 2018 and 2017 and as of and for the nine months ended March 31, 2021 and 2020, and the audited Combined Carve-out Financial Statements. The Pro Forma Financial Statements have been prepared in accordance with Section 9, Part II of the Revised Philippine Securities Regulation Code Rule 68, as amended ("**SRC Rule 68**").

The unaudited pro-forma condensed financial information has been prepared on a cost basis except for investment properties which are accounted for under fair value method of accounting. The Company carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances.

The objective of this unaudited pro-forma condensed financial information is to show what the significant effects on the historical financial information might have been had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements occurred at an earlier date. However, the unaudited pro-forma condensed financial information is not necessarily indicative of the result of operations or related effects on the financial statements that would have been attained, had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements occurred at an earlier date nor do they purport to project the results of operations of the Company for any future period or date. The unaudited pro-forma condensed financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in PFRS.

The unaudited pro-forma condensed financial information has not been prepared in accordance with the requirements of Article 11 of the Recognition S-X under the U.S. Exchange Act.

PRESENTATION OF NON-PFRS FINANCIAL INFORMATION

This REIT Plan includes certain non-PFRS financial measures, including FFO and AFFO.

Funds from operations ("**FFO**") is equal to net income, excluding gains or losses from sales of property and (i) deducting the difference between income from the straight-line method of recognizing revenue and actual income,

(ii) deducting income from deferred credits for security deposits, and (iii) adding back interest expense from accretion of security deposits. Adjusted funds from operations ("**AFFO**") is calculated by subtracting from FFO the recurring capital expenditures that are capitalized by our Company and then amortized, but which are necessary to maintain the Company's properties and its revenue stream. We believe that the use of FFO and AFFO, combined with the required PFRS presentations, improves the understanding of our Company's operating results among investors. AFFO is an important measurement because our leases generally have contractual escalations of base rents that are not directly observable in the Company's statements of comprehensive income due to the application of a straight-line method of recognizing Rental Income. Non-cash expenses such as depreciation on investment properties are added while capital expenditures on existing investment properties are deducted in the calculation of AFFO. Hence, we believe that AFFO provides a better measure of our ability to distribute dividends.

These non-PFRS financial measures are supplemental measures of our Company's performance that are not required by, or presented in accordance with, and should not be considered as an alternative to net profit, revenues or any other measure of our Company's financial performance derived in accordance with PFRS or as an alternative to cash flows from operations or as a measure of our Company's liquidity. Non-PFRS financial measures have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for, an investors' own analysis of the Company's financial condition or results of operations, as reported under PFRS. These non-PFRS financial measures are not standardized terms and other companies may calculate measures bearing the same titles differently, hence a direct comparison between companies using such terms may not be possible, which limits the usefulness of these non-PFRS financial measures.

FORWARD-LOOKING STATEMENTS

This REIT Plan contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expected future results;
- performance or achievements expressed or implied by forward-looking statements;
- our overall future business, financial condition, and results of operations, including, but not limited to, financial position or cash flow;
- our goals for or estimates of future operational performance or results; and
- changes in the regulatory environment including, but not limited to, policies, decisions, and determinations of governmental or regulatory authorities.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- risks relating to our business and operations, including those relating to our limited operating history as a REIT and our ability to obtain and retain tenants in our properties;
- the Fund Manager's ability to successfully implement our current and future business strategies and to manage our expansion and growth;
- increases in maintenance and operational costs;
- changes in the Philippine real estate market and the demand for the office, BPO and other commercial property spaces and developments;
- any material adverse change in the quality of the tenants in our properties;
- risks (including political, social and economic conditions) relating to the Philippines;
- the condition and changes in the Philippine, Asian or global economies and future political instability in the Philippines;
- our ability to obtain financing or raise debt, changes in interest rates, inflation rates and the value of the Philippine Peso against the U.S. dollar and other currencies;
- changes in Government laws and regulations, including changes in REIT Regulations, tax laws, or licensing in the Philippines;
- competition in the commercial real estate market in the Philippines;
- material changes to any planned capital expenditures for our properties as a result of market demands, financial conditions, and legal requirements, among others;
- risks relating to the presentation of financial and other information in this REIT Plan;
- risks relating to the Offer and the Offer Shares; and
- any other matters not yet known to our Fund Manager or not currently considered material by our Fund Manager.

These forward-looking statements speak only as of the date of this REIT Plan. We, the Selling Shareholder, the International Bookrunners and the Domestic Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This REIT Plan includes statements regarding our expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "can," "could," and similar words identify forward-looking statements. Statements that describe our objectives, plans or goals are forward-looking statements. In addition, all statements other than statements of historical facts included in this REIT Plan are forward-looking statements.

In view of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this REIT Plan might not occur. In particular, in light of the ongoing COVID-19 pandemic and associated uncertainties in the global financial markets and their contagion effect on the real economy, any forward-looking statements and forward-looking financial information contained in this REIT Plan must be considered with caution and reservation.

Actual results could differ materially from those contemplated in the relevant forward-looking statement and we give no assurance that such forward-looking statements will prove to be correct or that such intentions will not change. This REIT Plan discloses, under the section "*Risk Factors*", "*Profit Projection*", "*Industry Overview*" and elsewhere, important factors that could cause actual results to differ materially from our expectations. The projections and the information from the valuation reports included in this REIT Plan are subject to and based on certain assumptions, and should be read together with the assumptions and notes therein.

All subsequent written and oral forward-looking statements attributable to us or persons acting on behalf of us are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY

In this REIT Plan, unless the context otherwise requires, the following terms shall have the meanings set forth below.

Application	An application to subscribe for Offer Shares pursuant to the Offer
BDO Capital	BDO Capital & Investment Corporation
BIR	The Philippine Bureau of Internal Revenue
Board of Directors or Board	The board of directors of MREIT
BPO	Business process outsourcing
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
CAGR	Compound Annual Growth Rate
CBD	Central business district
CLSA	CLSA Limited
Committed Leases	Leases with executed contracts
Committed Occupancy Rate	The percentage of occupied GLA with executed contracts in each Property at a given time, regardless of the type of tenant (i.e., BPO/traditional office, hotel or retail), which is calculated by dividing the total GLA occupied by all tenants with executed contracts by the total number of GLA available for lease, multiplied by 100
Competitive Investment Return	A comparable or better return than other investment instruments available in the market relative to the associated risks. For this purpose, investment return refers to total return, including from dividends dividend growth, and/ or capital appreciation. Such sources of return could include lease rental, future rental escalation or price appreciation of the shares. Specifically, the Company compares its dividend yield and potential dividend growth to (a) the current 10-year BVAL benchmark rate, (b) rates of return of recent comparable local debt issuances and instruments, and (c) the dividend yield and dividend yield growth for comparable equity investments and instruments taking into account, among others, the Sponsor's strength, portfolio quality and sector outlook.
Control	The power of a corporation to direct or govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly, through Subsidiaries, more than one-half of the voting power of an enterprise, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership does not constitute Control. Control also exists even when the parent corporation owns one-half or less of the voting power of an enterprise when there is power: (i). over more than one-half of the voting rights by virtue of an agreement with investors; (ii) to direct or govern the financial and operating policies of the enterprise under a statute or an agreement; (iii) to appoint or remove the majority of the members of the board of directors or equivalent governing body; or (iv) to cast the majority

	votes at meetings of the board of directors or equivalent governing body.
Corporation Code	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
Credit Suisse	Credit Suisse (Singapore) Limited
CUSA	Common use service area
DBS	DBS Bank Ltd.
Domestic Co-Lead Underwriters	collectively, First Metro Investment Corporation, Investment & Capital Corporation of the Philippines, RCBC Capital Corporation and SB Capital Investment Corporation
Domestic Lead Underwriter	BDO Capital
Domestic Underwriters	collectively, the Domestic Lead Underwriter and the Domestic Co-Lead Underwriters
Domestic Receiving Agent	BDO Unibank, Inc. – Trust and Investments Group
DST	Documentary stamp tax
Dues	Net recoveries from tenants for usage of common area services
Eligible PSE Trading Participants	Duly licensed securities brokers who are REIT-eligible trading participants of the PSE
Foreign Investments Act	Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991, as amended
Firm Shares	**844,300,000** common shares
Fund Management Agreement	The fund management agreement, dated May 12, 2021, between the Company and the Fund Manager.
Fund Manager	MREIT Fund Managers, Inc., a corporation organized and existing under the law of the Philippines
Government	Government of the Republic of the Philippines and all its instrumentalities
GLA or "Gross Leasable Area"	The areas in the Properties that are leasable to tenants, which primarily comprise BPO/traditional offices, hotel, and retail and other space, as of March 31, 2021. Each GLA figure presented in this REIT Plan should be read as "more or less" to account for the margin of error (+/-5 sqm) which is accepted in industry practice when measuring such space.
Grade A	According to LPC, Grade A office buildings boast of high-quality interior designs and exterior finishing and are centrally located in major business districts. Grade A buildings typically feature floor plates of not less than 1,000 sqm. Grade A buildings also feature a good tenant mix and profile.
Gross Revenue	The gross revenue of the Company, consisting of Rental Income, any Interest Income, and Income from Dues, before expenses, in any financial year ending on June 30 in each year or other specified period.

Institutional Offer	The offer for sale of the Institutional Offer Shares (i) outside the United States by the International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, and (ii) to certain qualified buyers and other investors in the Philippines.
Institutional Offer Shares	591,010,000 Offer Shares being offered pursuant to the Institutional Offer
Interest Expense	Interest Expense pertains to accretion of security deposits. It has been estimated based on the discount rate at the time of receipt of security deposits.
Interest Income	Interest Income pertains to the interest received from our Company's cash deposits in the bank. Interest rate is assumed to be 1.5% per annum, before deduction of 20.0% final tax rate.
International Bookrunners	collectively, Credit Suisse, DBS and CLSA
Joint Global Coordinators and Joint Bookrunners	collectively, BDO Capital, Credit Suisse and DBS
Listing Date	The date on which the trading of the Offer Shares on the PSE begins, expected to be on or about September 30, 2021
Local small investors or LSIs	Local small investors under the PSE's Local Small Investors program
LPC	Leechiu Property Consultants Inc.
Megaworld	Megaworld Corporation
Metro Manila	The metropolitan area comprising the cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros
Net Asset Value	Net Asset Value is computed by reflecting the fair market value of total assets and investible funds held by our Company, less total liabilities.
Net Operating Income	Gross Revenue less operating expenses, exclusive of depreciation, interest and amortization
Occupancy Rate	The percentage of occupied GLA in each Property at a given time, regardless of the type of tenant (i.e., BPO/traditional office, hotel or retail), which is calculated by dividing the total GLA occupied by all tenants by the total number of GLA available for lease, multiplied by 100
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein
Offer Implementing Guidelines	Implementing guidelines for the reservation and allocation of the Trading Participants and Retail Offer Shares through the PSE, prepared for the Offer and approved by the PSE
Offer Price	**₱16.10** per Offer Share
Offer Shares	The Firm Shares and the Option Shares

Option Shares	Up to 105,537,500 Shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Overallotment Option
Overallotment Option	An option granted by the Selling Shareholder to the Stabilizing Agent
PAGCOR	Philippine Amusement and Gaming Corp.
Parent	A corporation, which has Control over another corporation, directly or indirectly, through one or more intermediaries
PCD	Philippine Central Depository
PDS	Philippine Dealing System
PDTC	The Philippine Depositary and Trust Corporation
PEZA	Philippine Economic Zone Authority
Philippine National	As defined under the Foreign Investments Act, a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals. Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.
Philippine SEC	The Philippine Securities and Exchange Commission
POGO	Philippine offshore gaming operator, as licensed by PAGCOR. For purposes of this REIT Plan, POGOs also include PAGCOR-accredited BPOs.
Portfolio	our initial REIT portfolio comprising the Properties held by our Company as of the Listing Date
the Properties	the 10 office, hotel, retail and other assets comprising our Portfolio as of the Listing Date, namely 8/10 Upper McKinley Building, 18/20 Upper McKinley Building, One World Square, Two World Square, Three World Square, 1880 Eastwood Avenue, E-Commerce Plaza, 1800 Eastwood Avenue, One Techno Place Iloilo, Richmonde Tower and Hotel Iloilo, and "Property" means any one of them

Property Management Agreement .... The property management agreement, dated May 12, 2021, between the Company and the Property Manager.

Property Manager .... MREIT Property Managers, Inc.

PSE .... The Philippine Stock Exchange, Inc.

Public Shareholder.................................... A shareholder of the Company, other than the following persons ("**Non-public Shareholders**"):

i Any person who, acting alone or in conjunction with one or more other persons, directly or indirectly, contributes cash or property in establishing the Company;

ii A director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than ten percent (10.0%) of any class of securities of (i);

iii A director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than 10.0% of any class of securities of the Company;

iv An associate of (ii) and (iii);

v A Parent, Subsidiary, or Affiliate of the Company or anyone listed in (i); and

vi Any person who holds legal title to the shares of stock of the Company for the benefit of another for the purpose of circumventing the provisions of the REIT Law.

Regulation S .... Regulation S under the U.S. Securities Act

REIT .... real estate investment trust. The REIT Law defines a REIT as a stock corporation established in accordance with the Corporation Code of the Philippines and the rules and regulations promulgated by the Securities and Exchange Commission of the Philippines ("**Philippine SEC**") principally for the purpose of owning income-generating real estate assets. Although under the REIT Law, such entity is called a "trust," the term was adopted for the sole purpose of aligning with global best practices and terminology, and a REIT organized under Philippine laws is subject to the Corporation Code as a stock corporation and does not operate under the same regime as trusts generally under applicable laws and regulations governing trusts.

REIT Formation Transactions .... collectively, the Property-for-Share Swap, the entry into land lease agreements, the entry into a Deed of Assignment of Leases assigning

	all of Sponsor's rights and interests in and to the lease agreements over portions of the Properties leased out to various entities, together with the ancillary transactions for the implementation of such transfers and leases, including amendments to our Articles of Incorporation
REIT Law	Republic Act No. 9856, the Real Estate Investment Trust (REIT) Act of 2009 together with the REIT Regulations.
REIT Regulations or REIT IRR	refer to the rules and regulations implementing the REIT Law, including Memorandum Circular No. 1, Series of 2020 issued by the Philippine SEC and Revenue Regulations No. 13-2011 and 3-2020 issued by the BIR
Rental Income	The rental amounts payable by all tenants and earned by the Company on its Properties, and any other property the Company may acquire, as reflected in the audited financial statements of the Company. Rental Income is recognized using the straight-line method over the lease team, and adjusted for tenant incentives, if any, amortized over the applicable lease period
Retention Rate	The proportion of tenants in any given fiscal year who have renewed their leases with us, in terms of renewed occupied GLA over total expiring GLA in the same fiscal year
SCCP	Securities Clearing Corporation of the Philippines
Selling Agents	Eligible Trading Participants of The Philippine Stock Exchange, Inc.
Selling Shareholder	Megaworld
Shares	The common shares of MREIT, with par value of ₱1.00 per share
the "Shareholders"	Public Shareholders and non-Public Shareholders
SKF	Santos Knight Frank, Inc.
Sponsor	Megaworld
sqm	Square meters
SRC	Republic Act No. 8799, otherwise known as the Philippine Securities Regulation Code, as amended from time to time, and including the rules and regulations issued thereunder
Stabilizing Agent	BDO Capital
Stock Transfer Agent	BDO Unibank, Inc. – Trust and Investments Group
Subsidiary	A corporation which is Controlled, directly or indirectly, by another corporation which thereby becomes its Parent.
Tax Code	The National Internal Revenue Code of the Philippines, as amended
Top 10 Tenants	The 10 largest tenants in terms of GLA across our Portfolio as of a given date; provided, however, that hotel tenants and related parties are excluded
Trading Participants and Retail Offer	The offer for sale of the Trading Participants and Retail Offer Shares to be made in the Philippines

Trading Participants and Retail Offer Shares	253,290,000 Offer Shares being offered pursuant to the Trading Participants and Retail Offer
Trading Participants and Retail Offer Settlement Date	The date on which settlement of the Trading Participants and Retail Offer Shares is to be made, expected to be on or about September 20, 2021
U.S.	The United States of America
U.S. Securities Act	The United States Securities Act of 1933, as amended
Valuer	SKF
VAT	Value-added tax

REIT PLAN SUMMARY

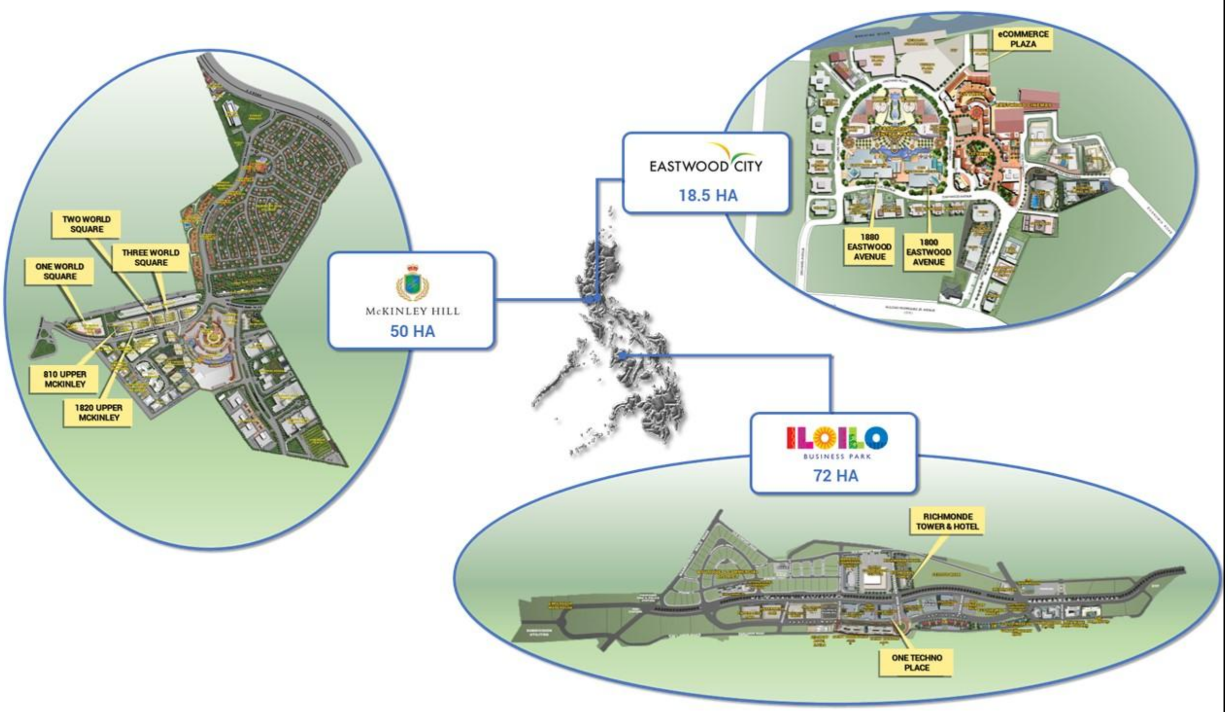
The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this REIT Plan, including our audited financial statements and the notes thereto, appearing elsewhere in this REIT Plan.

OVERVIEW

MREIT, Inc. was incorporated under Philippine law on October 2, 2020 under the name of Megaworld Holdings, Inc. with an authorized capital stock of ₱5,000,000,000.00 divided into 50,000,000 common shares with a par value of ₱100.00 per share. On May 19, 2021, our Company's Articles of Incorporation and By-Laws were amended: (a) changing our Company's name to MREIT, Inc. to align with our Company's primary purpose to engage in the business of a real estate investment trust as provided under the REIT Regulations; (b) changing the par value of our Company's common share from ₱100.00 to ₱1.00 per share, therefore resulting in our Company's authorized capital stock of ₱5,000,000,000.00 being divided into 5,000,000,000 common shares with a par value of ₱1.00 per share; (c) increasing our number of directors from five to seven; and, (d) changing our Company's fiscal year to end on June 30, instead of December 31. As of the date of this REIT Plan, we have 2,532,121,381 Shares issued and outstanding. We have no preferred shares and no Shares held in treasury.

As of the date of this REIT Plan, our Company is 99.6% owned by Megaworld Corporation. Our Company presently does not have any Subsidiaries. Upon completion of the Offer, the Shares owned by the Sponsor will represent approximately 62.1% of the issued and outstanding capital stock of MREIT, assuming the full exercise of the Overallotment Option, and approximately 66.3% of the issued and outstanding capital stock of MREIT, assuming no exercise of any Overallotment Option. The Sponsor intends MREIT to be its flagship REIT company, the primary focus of which will be office and retail leasing.

The principal investment mandate and strategy of MREIT is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Through our Fund Manager, our Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a Competitive Investment Return to our investors. See "*Business and Properties—Investment Policy*."



Our 10 Properties, which constitute our initial Portfolio with an aggregate GLA of 224,430.8 sqm as of March 31, 2021 and with an aggregate appraised value of ₱49,316.0 million (US$1,017.5 million) based on the Valuation Report issued by SKF are located in central business districts ("**CBDs**") across Metro Manila, primarily in Taguig City and Quezon City, and in Iloilo City outside of Metro Manila. The table below provides details of each Property as indicated.

	Year Completed	Office Grade[(1)]	GLA (sqm)	% of Total Portfolio GLA	Occupancy Rate (%)[(2)]	Appraised Value (₱ million)[(2)]	% of Appraised Value
A. Metro Manila							
1800 Eastwood Avenue	2006	A	34,738.2	15.5%	98.3%	7,706.0	15.6%
1880 Eastwood Avenue	2007	A	33,743.8	15.0%	77.0%	6,790.0	13.8%
One World Square	2007	A	30,481.7	13.6%	98.4%	8,018.0	16.3%
Two World Square	2009	A	21,286.4	9.5%	94.1%	5,501.0	11.2%
Three World Square	2010	A	21,216.6	9.5%	99.7%	5,190.0	10.5%
E-Commerce Plaza	2008	A	20,940.2	9.3%	100.0%	4,279.0	8.7%
8/10 Upper McKinley Building	2010	A	19,937.5	8.9%	76.9%	4,660.0	9.4%
18/20 Upper McKinley Building	2009	A	19,413.8	8.6%	99.9%	4,337.0	8.8%
Subtotal – Metro Manila			**201,758.2**	**89.9%**	**92.7%**	**46,481.0**	**94.3%**
B. Iloilo							
One Techno Place Iloilo	2017	A	9,548.7	4.3%	95.1%	1,170.0	2.4%
Richmonde							
Richmonde Tower	2016	A	6,354.8	2.8%	100.0%	866.0	1.7%
Richmonde Hotel Iloilo	2016	A	6,769.1	3.0%	100.0%	799.0	1.6%
Subtotal – Iloilo			**22,672.6**	**10.1%**	**97.9%**	**2,835.0**	**5.7%**
Overall			**224,430.8**	**100.0%**	**93.2%**	**49,316.0**	**100.0%**

Notes:
(1) According to LPC, Grade A office buildings boast of high-quality interior designs and exterior finishing and are centrally located in major business districts. Grade A buildings typically feature floor plates of not less than 1,000 sqm. Grade A buildings also feature a good tenant mix and profile.
(2) As of March 31, 2021.

All of the Properties were developed by our Sponsor, Megaworld Corporation. All of the Properties are owned by our Company and stand on land leased from the Sponsor for an aggregate period of 50 years.[3] As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[4] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years.

All Properties are PEZA-registered and/or located in PEZA-registered zones. In spite of the community quarantine imposed by the Government due to the coronavirus pandemic, the Properties enjoy pre-COVID-19 occupancy levels due largely to the sustained operations of the BPO office tenants. Our Properties have enjoyed consistently high occupancy rates thus earning stable rental revenues. Our Portfolio has a weighted average lease expiry ("**WALE**") of 4.7 years (by GLA) as of March 31, 2021.

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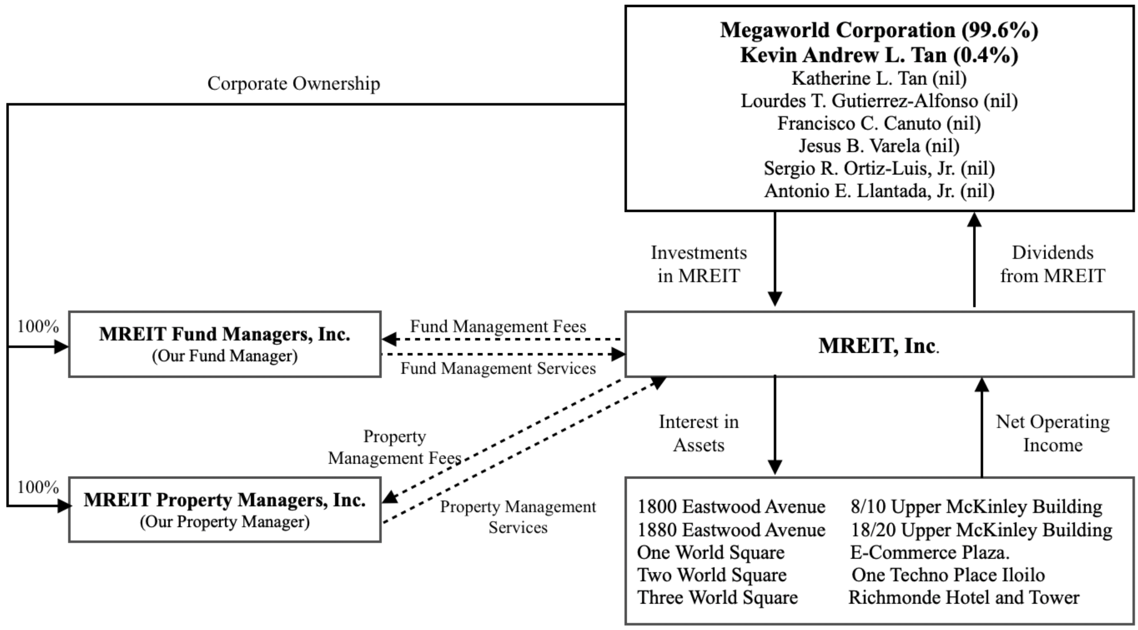
3 The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

4 First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

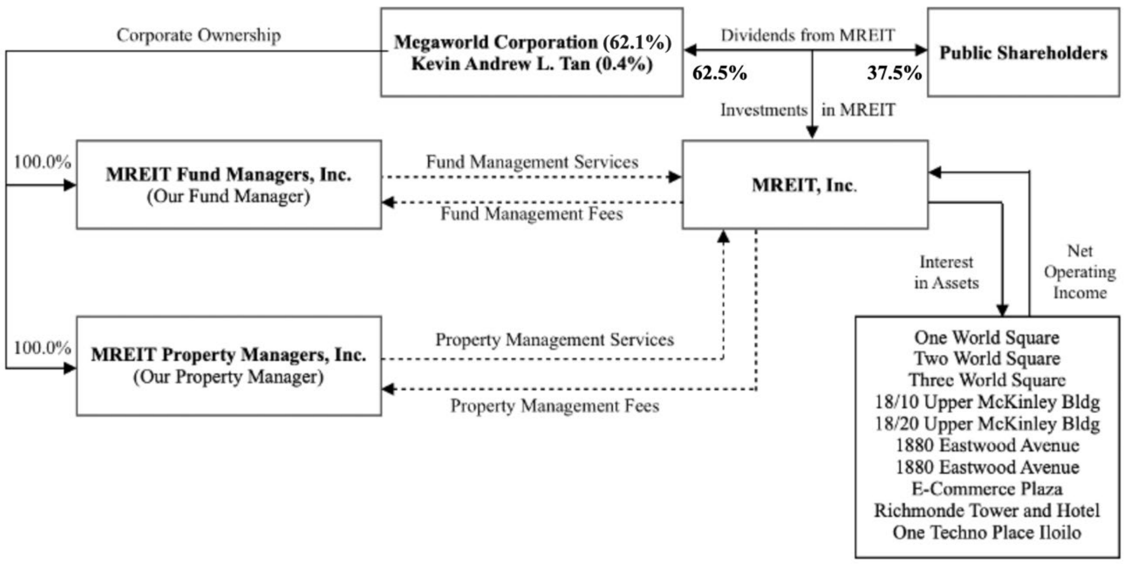
THE FORMATION AND STRUCTURE OF MREIT

Our Company is a domestic corporation, established to invest in real estate. The operational and ownership structure and the relationship of the various parties, as of the date of this REIT Plan, are illustrated in the following diagram:

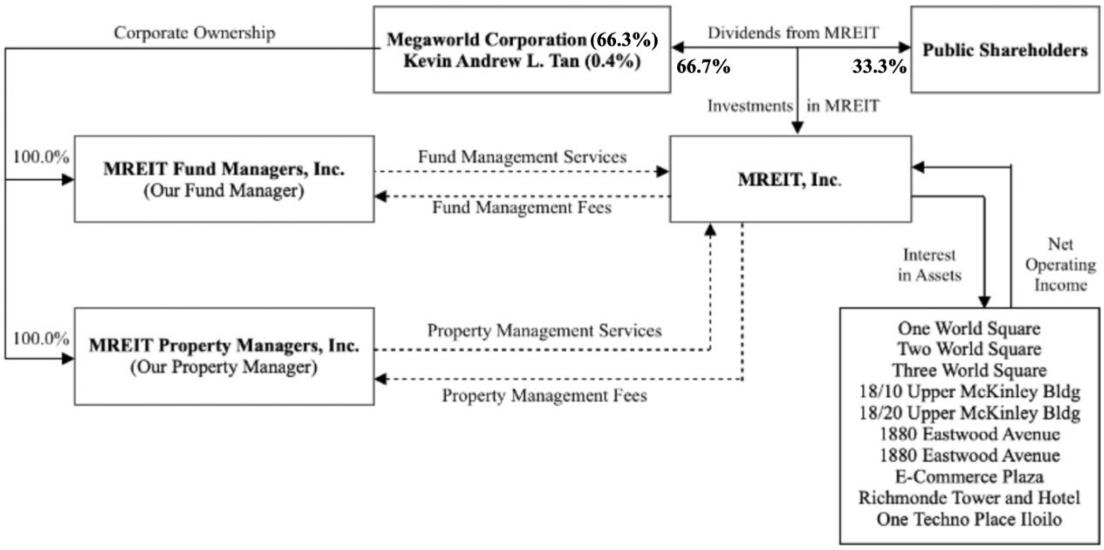


After the Offering, the operational structure and relationship of the various parties are illustrated as follows:

(i) Assuming the full exercise of the Overallotment Option:



(ii) Assuming non-exercise of the Overallotment Option:



DIVIDEND POLICY

We are required to declare dividends pursuant to the REIT Law. The REIT Law requires a REIT to distribute annually a total of at least 90% of its distributable net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with generally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are reinvested in the REIT within one year from the date of the sale) as dividends to its shareholders. Such dividends shall be payable only from the unrestricted retained earnings, and the income distributable as dividends shall be based on the audited financial statements for the most recently completed fiscal year prior to the prescribed distribution. A REIT may declare either cash, property, or stock dividends. However, the declaration of stock dividends must be approved by at least a majority of the entire membership of our Company's Board, including the unanimous vote of all our independent Directors, and stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular meeting or special meeting called for that purpose. Any such stock dividend declaration is also subject to the approval of the Philippine SEC within five working days from receipt of the request for approval. If the Philippine SEC does not act on said request within such a period, the declaration shall be deemed approved.

THE FUND MANAGER

Our Fund Manager is MREIT Fund Managers, Inc., a corporation organized under the laws of the Philippines on November 18, 2020. Its registered office is at the 19th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City. Our Fund Manager is a wholly owned subsidiary of the Sponsor. Our Fund Manager's main responsibility is to manage our Company's assets and liabilities for the benefit of our Company's Shareholders, with a focus on generating Rental Income and, if appropriate, increasing our Company's assets over time to enhance the returns from the investments of the MREIT and, ultimately, the distributions to our Company's Shareholders.

Fund Management Fee

Under the Fund Management Agreement, the Fund Manager will receive a management fee, equivalent to three and one half percent (3.5%) of MREIT's Gross Revenue exclusive of value-added taxes (hereafter referred to as the "Fund Management Fee") The Fund Management Fee paid to the Fund Manager in any given year shall not exceed one percent (1%) of the Net Asset Value of the properties under management. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = 0.035 x MREIT's Gross Revenue

The Fund Management Fee shall be payable to the Fund Manager annually.

THE PROPERTY MANAGER

Our Property Manager is MREIT Property Managers, Inc., a corporation organized under the law of the Philippines on October 13, 2020. Its registered office is at the 19th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City. Our Property Manager is a wholly owned subsidiary of the Sponsor. Pursuant to the Property Management Agreement entered on May 12, 2021 between our Company and our Property Manager, our Property Manager shall have the overall responsibility for the day-to-day facilities management of the Properties, marketing of the office and retail spaces therein, management of client accounts, lease administration, operations management, and handling of tenant relations. Specifically, our Property Manager will oversee negotiation and execution of lease contracts, enforcement of lease terms and conditions, and awarding, extension, and termination of leases; supervision of billing and collection of rentals and other payments from tenants, as well as monitoring of past due accounts and receivables; and, building management operations relating to security, utilities, repairs, and maintenance, emergency management, including engagement of contractors for such purpose.

Property Management Fee

Under the Property Management Agreement, the Property Manager will receive a management fee, equivalent to two percent (2%) of MREIT's Gross Revenue, exclusive of value-added tax (hereafter referred to as the "Property Management Fee". The Property Management Fee paid to the Property Manager in any given year shall not exceed one percent (1%) of the Net Asset Value of the Properties under its management. In computing the Property Management Fee, the formula to be used shall be as follows:

Property Management Fee = 0.02 x MREIT's Gross Revenue

The Property Management Fee shall be due and payable to the Property Manager in quarterly installments. The relevant period refers to the quarter for which the Property Management Fee is to be applied.

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "*Risk Factors*" and include risks relating to our businesses and operations, risks relating to the Philippines, and risks relating to the Offer and the Offer Shares.

INVESTOR RELATIONS OFFICE

The investor relations office will implement the investor relations program in order to reach out to all shareholders and keep them informed of corporate activities. The office will also handle communication of relevant information to our stakeholders as well as to the broader investor community. The investor relations office will also be responsible for receiving and responding to investor and shareholder queries relating to the Company.

Dave Michael Valeriano has been appointed by the Board as the head of the investor relations office and to serve as our Investor Relations Officer ("**IRO**"). The IRO will ensure that we comply with and file on a timely basis all required disclosures and continuing requirements of the Philippine SEC and the PSE. In addition, the IRO will oversee most aspects of the shareholder meetings, press conferences, investor briefings, and management of the investor relations portion of our website, which will contain information, including but not limited to:

(a) Company information (organizational structure, board of directors and management team);
(b) Company news (analyst briefing report, press releases, latest news, newsletters (if any));
(c) Financial report (annual and quarterly reports for the past two years);
(d) Disclosures (recent disclosures to PSE and the Philippine SEC for the past two years);
(e) Investor FAQs;
(f) Investor Contact (email address and phone numbers for feedback/comments, shareholder assistance and service); and
(g) Stock Information.

The investor relations office will be located in our principal place of business with contact details as follows:

Landline: (+632) 8-894-6331
E-mail: iro@mreit.com.ph
Website: www.mreit.com.ph

MREIT AND FUND MANAGER INFORMATION

MREIT, Inc. is a Philippine corporation organized under the laws of the Philippines. Our principal office address is 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City, Philippines, with telephone number: (+632) 8-894-6331. Our corporate website is www.mreit.com.ph. Information on the website is not incorporated by reference into this REIT Plan.

MREIT Fund Managers, Inc. is a Philippine corporation organized under the laws of the Philippines. The Fund Manager's principal office address is 19th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City, Philippines, with telephone number: (+632) 8-894-6497 and email dpo.fund@mreit.com.ph.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Company	MREIT, Inc. ("**MREIT**")
Sponsor and Selling Shareholder	Megaworld Corporation ("**Megaworld**")
Fund Manager	MREIT Fund Managers, Inc.
Property Manager	MREIT Property Managers, Inc.
Joint Global Coordinators and Joint Bookrunners	collectively, BDO Capital & Investment Corporation ("**BDO Capital**"), Credit Suisse (Singapore) Limited ("**Credit Suisse**") and DBS Bank Ltd. ("**DBS**")
International Bookrunners	collectively, Credit Suisse, DBS and CLSA
Domestic Lead Underwriter	BDO Capital
Domestic Co-Lead Underwriters	collectively, First Metro Investment Corporation, Investment & Capital Corporation of the Philippines, RCBC Capital Corporation and SB Capital Investment Corporation
The Offer	Offer of **844,300,000** Firm Shares, consisting of secondary Shares offered by the Selling Shareholder together with an offer of up to 105,537,500 Option Shares by the Selling Shareholder pursuant to the Overallotment Option (as described below).
Firm Shares	**844,300,000** secondary Shares offered by the Selling Shareholder
Option Shares	Up to 105,537,500 Shares by the Selling Shareholder pursuant to the Overallotment Option
Institutional Offer	At least 591,010,000 Firm Shares, or 70.0% of the Firm Shares (subject to re-allocation as described below), are being offered and sold (i) outside the United States by the International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, and (ii) to certain qualified buyers and other investors in the Philippines. The Option Shares will form part of the Institutional Offer (the "**Institutional Offer Shares**").

Trading Participants and Retail Offer	253,290,000 Firm Shares are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price (the "**Trading Participants and Retail Offer Shares**"). 168,860,000 Firm Shares (or 20.0% of the Firm Shares) (the "**Trading Participants Offer Shares**") are being allocated to all of the Eligible PSE Trading Participants at the Offer Price and 84,430,000 Firm Shares (or 10.0% of the Firm Shares) (the "**Retail Offer Shares**") are being allocated at the Offer Price to local small investors ("**LSIs**"). Each Eligible PSE Trading Participant shall initially be allocated 1,372,800 Firm Shares and be subject to reallocation as may be determined by the Domestic Lead Underwriter. Each LSI applicant may subscribe up to a maximum of 62,100 Firm Shares at the Offer Price. The Domestic Lead Underwriter shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer or otherwise not taken up by the PSE Trading Participants or clients of the Domestic Lead Underwriter or the general public in the Philippines pursuant to the terms and conditions of the Domestic Underwriting Agreement. LSIs may also subscribe through the PSE Electronic Allocation System ("**PSE EASy**"). An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱1,000,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 100 shares or ₱1,610.00, while the maximum subscription shall be 62,100 shares or up to ₱999,810.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Domestic Lead Underwriter shall prioritize the subscriptions of small investors with amounts lower than the maximum subscription.
Offer Shares	The Firm Shares and the Option Shares
Offer Price	**₱16.10** per Offer Share. The Offer Price was determined based on a book-building process and discussions amongst the Company, the Selling Shareholder, the Joint Global Coordinators and Joint Bookrunners.
Stabilizing Agent	BDO Capital
Overallotment Option	The Selling Shareholder has granted the Stabilizing Agent, BDO Capital and its relevant affiliates, an option, exercisable in whole or in part, to purchase up to 105,537,500 Option Shares at the Offer Price, on the same terms and conditions as the Offer Shares as set out in this REIT Plan, solely to cover overallotments, if any, and effect price stabilization

	transactions. The Overallotment Option is exercisable from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. See "*Plan of Distribution—The Overallotment Option*."
Transfer Restrictions	The Institutional Offer Shares are being offered for sale (i) outside the United States by the International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, and (ii) to certain qualified buyers and other investors in the Philippines. The Offer Shares have not been and will not be registered under the U.S. Securities Act. The Offer Shares may be subject to certain transfer restrictions as described herein. See "*Plan of Distribution — The Institutional Offer*".
Eligible Investors.......................................	The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines or licensed to do business in the Philippines, regardless of nationality, subject to our right to reject an Application or reduce the number of our Firm Shares applied for subscription and subject to restrictions on ownership as set out below.
Restriction on Ownership..........................	The Offer Shares may be subscribed by any individual of legal age, or by any corporation, association, partnership, or trust, regardless of citizenship or nationality, subject to nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities, including land ownership. As of the date of this REIT Plan, our Company does not own any land. Nevertheless, because the Company's Articles of Incorporation authorizes the Company to acquire land, which may include land in the Philippines, foreign shareholdings in our Company may not exceed 40% of our total issued and outstanding capital stock. For more information relating to restrictions on the ownership of the Shares, see "*Risk Factors*", "*Business and Properties*" and "*Regulatory and Environmental Matters – Nationality Restriction*". In the event that foreign ownership of our Company's outstanding capital stock will exceed such allowable maximum percentage, we have the right to reject a transfer request by a stockholder to persons other than Philippine Nationals and the right not to record such purchases in our Company's books. Moreover, if any share is inadvertently issued and/or transferred in violation of the said restriction, the shares issued and/or transferred in excess of the allowable maximum percentage shall be null and void, and we may immediately proceed to cancel and demand the surrender of the certificate of stock covering such shares. Should any

	stockholder acquire shares in excess of the foregoing restriction, such stockholder shall not be considered a stockholder and shall have no right with respect to such shares except to demand payment therefor from us or transferor, as the case may be, or to dispose of the same to qualified shareholders within 30 days of receipt of notice from us. Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.
Use of Proceeds	Our Company will not receive any proceeds from the Offer. The Selling Shareholder will receive all the proceeds from the sale of the Offer Shares. See "*Use of Proceeds*" beginning on page 57 of this REIT Plan and Annex 1 (*Reinvestment Plan*).
Minimum Subscription	Each application must be for a minimum of 100 Firm Shares, and thereafter, in multiples of 100 Firm Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.
Reallocation..	The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Joint Global Coordinators and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer. The International Bookrunners will not be involved in the offer of, or underwrite, the Trading Participants and Retail Offer.
Lock-up	Under the PSE Consolidated Listing and Disclosure Rules, an applicant company shall cause existing shareholders who own an equivalent of at least 10.0% of the issued and outstanding shares of stock of the company to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

- 180 days after the listing of said shares if the applicant company meets the track record requirements in Section 1, Article III, Part D of the PSE Consolidated Listing and Disclosure Rules; or

- 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Consolidated Listing and Disclosure Rules.

Thus, the following shall be subject to as 365-day lock-up period from Listing Date:

Assuming the Overallotment Option is not exercised:

Shareholder	No. of Shares Subject to 365-day Lock-up Period from Listing Date
Megaworld Corporation	1,677,820,381 Shares

Assuming the Overallotment Option is fully exercised:

Shareholder	No. of Shares Subject to 365-day Lock-up Period from Listing Date
Megaworld Corporation	1,572,282,881 Shares

In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) completed and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price in the initial public offering, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares.

The following are covered by the 365-day lock-up from full payment of the Shares requirement:

Shareholder	No. of Shares Subject to 365-day Lock-up Period from full payment of the Shares
Jesus B. Varela	1,000 Shares
Sergio R. Ortiz Luis, Jr.	1,000 Shares
Katherine L. Tan	1,000 Shares
Antonio E. Llantada, Jr	1,000 Shares

To implement the lock-up requirement, we and the foregoing shareholders shall enter into an escrow agreement with BDO Unibank, Inc. – Trust and Investments Group. The Company and the Selling Shareholder have agreed with the International Bookrunners and the Domestic Lead Underwriter that, except in connection with the

	Overallotment Option, they will not, without the prior written consent of the International Bookrunners and the Domestic Lead Underwriter, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date. See "*Principal and Selling Shareholder—PSE Lock-up Requirement*" and "*Plan of Distribution— Lock-Up*."
Listing and Trading	The Company has filed an application with the Philippine SEC for the registration and an application with the PSE for the listing of all its issued and outstanding stock (including the Offer Shares). The Philippine SEC is expected to issue an Order of Effectivity and Permit to Sell on or about September 13, 2021 and the PSE approved the listing application on August 9, 2021, subject to compliance with certain listing conditions. All of the Offer Shares in issue or to be issued are expected to be listed on the Main Board of the PSE under the symbol "MREIT". See "*The Formation and Structure of MREIT—Description of the Shares*." All of the Offer Shares are expected to be listed on the PSE on or about September 30, 2021. Trading of the Offer Shares that are not subject to lock-up is expected to commence on September 30, 2021.
Dividends and Dividend Policy	We are required to declare dividends pursuant to the REIT Law. The REIT Law requires a REIT to distribute annually a total of at least 90% of its distributable net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with generally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are reinvested in the REIT within one year from the date of the sale) as dividends to its shareholders. Such dividends shall be payable only from the unrestricted retained earnings, and the income distributable as dividends shall be based on the audited financial statements for the most recently completed fiscal year prior to the prescribed distribution. A REIT may declare either cash, property, or stock dividends. However, the declaration of stock dividends must be approved by at least a majority of the entire membership of our Company's Board, including the unanimous vote of all our independent Directors, and stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular meeting or special meeting called for that purpose. Any such stock dividend declaration is also subject to the approval of the Philippine

	SEC within five working days from receipt of the request for approval. If the Philippine SEC does not act on said request within such a period, the declaration shall be deemed approved. See "*Dividends and Dividend Policy*".
Registration and Lodgment of Shares with PDTC...	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC upon the Listing Date. The applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.
Registration of Foreign Investments.........	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Regulatory and Environmental Matters—Foreign Investment Laws and Restrictions—Registration of Foreign Investments and Exchange Controls.*"
Tax Considerations	See "*Philippine Taxation*" for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.
Procedure for Application for the Trading Participants and Retail Offer	The "**Offer Period**" shall commence at 9:00 a.m., Manila time, on September 14, 2021 and shall end at 12:00 noon, Manila time, on September 20, 2021. The Company and the Domestic Lead Underwriter reserve the right to extend, shorten, or terminate the Offer Period, subject to the approval of the Philippine SEC and the PSE. Applications must be received by the Domestic Receiving Agent for Eligible PSE Trading Participant applications or through PSE EASy for LSI applications, as applicable, by 12:00 noon Manila time on September 20, 2021 and shall be subject to the terms and conditions of the Offer as stated in the REIT Plan and in the Application. Applications received thereafter or without the required documents will be rejected. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Domestic Lead Underwriter under the Domestic Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement. <u>For Eligible PSE Trading Participants:</u> Application forms to purchase the Trading Participants Offer Shares and signature cards may be obtained from the

Domestic Underwriters, from the Domestic Receiving Agent or from any participating Eligible Trading Participants, and shall be made available for download on the Company's website.

Applicants shall complete the application form, indicating all pertinent information, such as the applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Trading Participants and Retail Offer Shares. Failure to complete the application form may result in the rejection of the application.

Applications must be received by the Domestic Receiving Agent not later than 12:00 noon on September 20, 2021. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to an Eligible PSE Trading Participant, and shall be subject to the terms and conditions of the Offer as stated in this REIT Plan and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Domestic Lead Underwriter under the Domestic Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

All applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed in each case by an authorized signatory of the applicant and accompanied by one completed signature card, which for applicants who are corporations, partnerships or trust accounts, should be authenticated by the corporate secretary or equivalent corporate officer (or managing partner in the case of a partnership), and the corresponding payment for the Trading Participants Offer Shares covered by the application and all other required documents.

If the applicant is an individual, the application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards, duly authenticated by the Applicant's nominated Eligible PSE Trading Participant or the Joint Global Coordinators and Joint Bookrunners, the Domestic Lead Underwriter, the Domestic Co-Lead Underwriters, and the Selling Agents (if the applicant is a client of the Joint Global Coordinators and Joint Bookrunners, the Domestic Lead Underwriter and Bookrunner, the Domestic Co-Lead Underwriters and the Selling Agents);

- Photocopy of two (2) valid and current government-issued IDs. *Note: (For joint applications (i.e. multiple Applicants in one Application), two (2) valid and current government-issued IDs of each applicant/investor will be required.)*; and

- Such other documents as may be reasonably required by the Joint Global Coordinators and Joint Bookrunners, the Domestic Lead Underwriter, the Domestic Co-Lead Underwriters and the Selling Agents in compliance with their internal policies regarding "knowing your customer" and anti-money laundering.

If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents:

- A certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership, in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);

- A certified true copy of the applicant's Philippine SEC certificate of registration duly certified by its corporate secretary (or managing partner in the case of a partnership);

- A duly notarized corporate secretary's certificate (or certificate of the managing partner in case of partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the applicant's capital or capital stock held by Philippine nationals;
- A photocopy of two (2) valid and current government-issued IDs of (a) the authorized signatory(ies), duly certified as a true copy by the corporate secretary and (b) the corporate secretary, duly certified as true copy by an authorized officer of the corporation; and
- Such other documents as may be reasonably required by the Joint Global Coordinators and Joint Bookrunners, the Domestic Lead Underwriter, the Domestic Co-Lead Underwriters and the Selling Agents in compliance with their internal policies regarding "knowing your customer" and anti-money laundering.

	Foreign corporate and institutional applicants who qualify as eligible investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Trading Participants Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Trading Participants and Retail Offer Shares. <u>For Local Small Investors:</u> For LSI applicants, applications shall be done via the PSE Electronic Allocation System or "PSE EASy" (https://easy.pse.com.ph/). LSI applications shall be processed on a first come, first served basis, while the final share allocation shall be determined through a distribution mechanism wherein fully paid applications will be allocated in ascending order (i.e. from the lowest to the highest), and upon the Domestic Receiving Agent's validation or confirmation of complete payment of the purchased shares. Multiple applications (i.e. two or more applications by the same LSI applicant) will not be allowed. The procedure in subscribing to the Offer Shares via "PSE EASy" shall be described in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Domestic Lead Underwriter shall prioritize subscriptions of small investors with amounts lower than the maximum subscription. An LSI applicant should nominate in the Application the Eligible PSE Trading Participant through which its shares will be lodged. Otherwise, the Application shall not be accepted. For more details on the Procedure for Application for the Offer, please refer to the Offer Implementing Guidelines.
Payment Terms for the Trading Participants and Retail Offer Purchased through Eligible PSE Trading Participants	The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Only over-the-counter cash or cashier's or manager's, personal or corporate checks through any BDO branches via the BDO Bills will be acceptable as a valid mode of payment. Checks subject to clearing periods of over one banking day shall not be accepted. All checks should be made payable to "MREIT IPO" crossed "Payee's Account Only," and dated the same date as the application. The deadline for check payments for the Trading Participants and Retail Offer Shares is on or before 12:00 p.m. on September 20, 2021, while the deadline for cash payments for

	the Trading Participants and Retail Offer Shares is on or before 1:00 p.m. on September 20, 2021 (“**Trading Participants and Retail Offer Settlement Date”**). The applications and the related payments will be received at any of the designated locations as specified in the Offer Implementing Guidelines, to be published by the PSE prior to the start of the Trading Participants and Retail Offer. For LSI subscriptions, the purchase price may also be made in cash following the payment instructions generated by the PSE online through BDO Internet Banking or BDO Mobile Banking App via BDO Bills Payment, with “BDO-TIG AS RECEIVING AGENT 001” as merchant name. The deadline for online payments is at 2:00 p.m. on September 20, 2021. LSI applicants may check the status of their subscription applications through their PSE EASy investor accounts.
Acceptance or Rejection of Applications for the Trading Participants and Retail Offer	Applications for the Trading Participants and Retail Offer Shares are subject to the confirmation of the Domestic Lead Underwriter and our final approval. We together with the Selling Shareholder and in consultation the Domestic Lead Underwriter, reserve the right to accept, reject or scale down the number and amount of Trading Participants and Retail Offer Shares covered by any application. We, the Selling Shareholder and the Domestic Lead Underwriter have the right to reallocate available Trading Participants and Retail Offer Shares in the event that the Trading Participants and Retail Offer Shares are insufficient to satisfy the total applications received. The Trading Participants and Retail Offer Shares will be allotted in such a manner as we and the Domestic Lead Underwriter may, in our sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and application forms which do not comply with the terms of the Trading Participants and Retail Offer will be automatically rejected. Notwithstanding the acceptance of any application, the actual acquisition of or subscription to the Trading Participants and Retail Offer Shares by an applicant will be effective only upon the listing of the Trading Participants and Retail Offer Shares on the PSE.
Refunds of the Trading Participants and Retail Offer	In the event that the number of Trading Participants and Retail Offer Shares to be received by an applicant, as confirmed by us and the Domestic Lead Underwriter, is less than the number covered by the application, or if an application is rejected, then the applicant is entitled to a refund, without interest, within five banking days from the end of the offer period or on September 27, 2021, of all or a portion of the applicant’s payment corresponding to the number of Trading Participants and Retail Offer Shares wholly or partially rejected. All refunds shall be made through the Domestic Receiving Agent, at the applicant’s risk.

Registration and Lodgment of Shares with the PDTC..	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares shall be lodged with the PDTC upon the Listing Date. The applicant may request to receive stock certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.
Expected Timetable....................................	The timetable of the Offer is expected to be as follows:

Pricing	September 9, 2021
Notice of final Offer Price to the Philippine SEC and PSE...............	September 10, 2021
Receipt of the Permit to Sell from the Philippine SEC	September 13, 2021
Eligible PSE Trading Participants and Retail Offer Period.................	September 14, 2021 to September 20, 2021
PSE Trading Participants' Commitment Period......................	September 14, 2021 to September 16, 2021
Submission of Firm Order and Commitments by PSE Trading Participants	September 16, 2021, 12:00 noon
Trading Participants and Retail Offer Settlement Date	September 20, 2021
Listing Date and commencement of trading on the PSE....................	September 30, 2021

The dates included above are subject to the approval of the PSE and the Philippine SEC, market and other conditions, and may be changed.

If, for any reason, any day of the above periods or dates is a not a banking day, then such period or date may be extended or moved, as the case may be, to the next immediately succeeding banking day, or such other date as may be agreed upon by the Company and the Joint Global Coordinators and Joint Bookrunners. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE.

Risks of Investing	In making an investment decision, investors are advised to carefully consider all the information contained in the REIT Plan, including the risks associated with an investment in the Offer Shares. These risks include: • risks relating to our business and our properties; • risks relating to the Philippines; • risks relating to the Offer and the Offer Shares; and • risks relating to the presentation of information in the REIT Plan. For a more detailed discussion on certain of these risks, see "*Risk Factors*" beginning on page 27, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained in the REIT Plan.
Stock Transfer Agent	BDO Unibank, Inc. – Trust and Investments Group
Domestic Receiving Agent	BDO Unibank, Inc. – Trust and Investments Group
Escrow Agent	BDO Unibank, Inc. – Trust and Investments Group
Philippine Counsel for the Company........	Picazo Buyco Tan Fider & Santos
International Counsel for the Company...	Latham & Watkins LLP
Philippine Counsel for the International Bookrunners and the Domestic Underwriters..	Angara Abello Concepcion Regala & Cruz Law Offices
International Counsel for the International Bookrunners and the Domestic Underwriters	Milbank LLP
Independent Auditors	P&A Grant Thornton

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables present the summary of financial information and should be read in conjunction with the independent auditors' reports and our combined carved-out financial statements, including the notes thereto, included elsewhere in this REIT Plan, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information as of and for the years ended June 30, 2020, 2019, 2018 and 2017 and for the nine months ended March 31, 2021 and 2020 were derived from our audited financial statements, which were prepared in accordance with PFRS and were audited by P&A Grant Thornton in accordance with the PSA.

The Combined Carve-out Financial Statements have been prepared by separating the historical financial information pertaining to the Properties subject to the Property-for-Share Swap out of the Sponsor's audited financial statements in accordance with PFRS. On May 9, 2021, our Company filed an application with the Philippine SEC for the approval of the Property-for-Share Swap. The Philippine SEC approved the Property-for-Share Swap on June 1, 2021. PFRS does not provide specific guidance for the preparation of combined carve-out financial statements and there can be no assurance that our future performance will be consistent with the past financial information presented in the Combined Carve-out Financial Statements. See "Risk Factors—Risks Relating to the Presentation of Information in this REIT Plan—The Combined Carve-out Financial Statements prepared for this REIT Plan may not necessarily represent our consolidated financial position, results of operation and cash flows."

The summary financial information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of March 31, 2021 of US$1.00 = ₱48.466.

STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended June 30,				
	2017	2018	2019	2020	2020
	₱ millions (Audited)				US$ millions (Unaudited)
Rental income	2,012.3	2,107.7	2,108.6	2,039.9	42.1
Cost of services	(336.3)	(344.9)	(346.3)	(347.4)	(7.2)
Gross profit	1,676.0	1,762.9	1,762.3	1,692.5	34.9
Other operating expenses	(77.2)	(54.8)	(65.4)	(77.9)	(1.6)
Operating profit	1,598.8	1,708.0	1,696.8	1,614.6	33.3
Interest expense	(22.3)	(23.8)	(24.8)	(28.0)	(0.6)
Profit before tax	1,576.5	1,684.3	1,672.1	1,586.6	32.7
Tax expense	(471.9)	(504.5)	(501.2)	(475.7)	(9.8)
Net profit	1,104.7	1,179.7	1,170.9	1,110.9	22.9
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**1,104.7**	**1,179.7**	**1,170.9**	**1,110.9**	**22.9**

	For the nine months ended March 31,		
	2020	2021	2021
	₱ millions (Audited)		US$ millions (Unaudited)
Rental income	1,495.9	1,587.1	32.7
Cost of services	(260.6)	(260.6)	(5.4)
Gross profit	1,235.4	1,326.5	27.4
Other operating expenses	(45.1)	(61.8)	(1.3)
Operating profit	1,190.2	1,264.7	26.1
Other income (charges) - Net			
Interest expense	(20.4)	(21.7)	(0.4)
Gain on reversal of allowance for impairment	-	13.2	0.3
	(20.4)	(8.5)	(0.2)
Profit before tax	1,169.8	1,256.2	25.9
Tax expense	(350.7)	(303.0)	(6.3)
Net profit	819.1	953.2	19.7
Other comprehensive income	-	-	-
Total comprehensive income	**819.1**	**953.2**	**19.7**

STATEMENTS OF FINANCIAL POSITION

	As of June 30,				
	2017	2018	2019	2020	2020
		₱ millions (Audited)			US$ millions (Unaudited)
Current assets					
Cash	0.5	0.5	0.5	0.5	0.0
Trade receivables - net	33.6	50.6	60.4	71.6	1.5
Prepayments and other current assets	13.9	15.4	16.5	16.5	0.3
Total current assets	48.0	66.5	77.4	88.5	1.8
Non-current assets					
Trade receivables - net	102.0	147.1	187.3	215.3	4.4
Investment properties - net	10,512.9	10,182.0	9,851.0	9,520.1	196.4
Total non-current assets	10,614.9	10,329.0	10,038.3	9,735.3	200.9
Total assets	**10,662.9**	**10,395.5**	**10,115.8**	**9,823.9**	**202.7**
Current liabilities					
Deposits and other current liabilities	131.5	210.4	267.8	329.3	6.8
Income tax payable	347.4	385.9	390.2	371.6	7.7
Total current liabilities	478.9	596.3	658.0	700.9	14.5
Non-current liabilities					
Deposits and other liabilities	820.4	741.8	701.0	741.7	15.3
Deferred tax liabilities - net	31.9	50.2	59.5	66.0	1.4
Total non-current liabilities	852.3	791.9	760.5	807.8	16.7
Total liabilities	**1,331.2**	**1,388.2**	**1,418.5**	**1,508.7**	**31.1**
					0.0
Equity					
Invested equity	9,331.7	9,007.4	8,697.3	8,315.2	171.6
Total liabilities and equity	**10,662.9**	**10,395.5**	**10,115.8**	**9,823.9**	**202.7**

	As of June 30,	As of March 31,	
	2020	2021	2021
	₱ millions (Audited)		US$ millions (Unaudited)
Current assets			
Cash	0.5	0.5	0.0
Trade receivables - net	71.6	71.9	1.5
Prepayments and other current assets	16.5	20.6	0.4
Total current assets	88.5	93.0	1.9
Non-current assets			
Trade receivables - net	215.3	235.2	4.9
Investment properties - net	9,520.1	9,271.9	191.3
Total non-current assets	9,735.3	9,507.1	196.2
Total assets	**9,823.9**	**9,600.0**	**198.1**
Current liabilities			
Deposits and other current liabilities	329.3	283.8	5.9
Income tax payable	371.6	227.5	4.7
Total current liabilities	700.9	511.3	10.5
Non-current liabilities			
Deposits and other liabilities	741.7	754.5	15.6
Deferred tax liabilities - net	66.0	63.8	1.3
Total non-current liabilities	807.8	818.2	16.9
Total liabilities	**1,508.7**	**1,329.5**	**27.4**
Equity			
Invested equity	8,315.2	8,270.5	170.6
Total liabilities and equity	**9,823.9**	**9,600.0**	**198.1**

STATEMENTS OF CASH FLOWS INFORMATION

	For the year ended June 30,				
	2017	2018	2019	2020	2020
		₱ millions (Audited)			US$ millions (Unaudited)
Cash flows from operating activities					
Net cash flows from operating activities	2,613.2	1,504.1	1,481.0	1,493.0	30.8
Cash flows from an investing activity					
Payments for addition to investment properties	40.7	-	-	-	-
Cash flows from a financing activity					
Distributions of invested equity..................	(2,572.1)	(1,504.1)	(1,481.0)	(1,493.0)	(30.8)
Net increase in cash..................................	**0.5**	-	-	-	-
Cash at beginning of year	-	**0.5**	**0.5**	**0.5**	**0.0**
Cash at end of year...................................	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**

	For the nine months ended March 31,		
	2020	2021	2021
	₱ millions (Audited)		US$ millions (Unaudited)
Cash flows from operating activities			
Net cash flows from operating activities ...	1,015.8	997.8	20.6
Cash flows from an investing activity			
Payments for addition to investment properties......	(1,015.8)	(997.8)	(20.6)
Cash flows from a financing activity			
Distributions of invested equity.................			
Net increase in cash................................	-	-	-
Cash at beginning of year	**0.5**	**0.5**	**0.0**
Cash at end of year..................................	**0.5**	**0.5**	**0.0**

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION

	As of or for the year ended June 30,				
Key Financial Figures and Ratios	**2017**	**2018**	**2019**	**2020**	**2020**
		₱ millions			**US$ millions**
Rental Income (in ₱ millions)..........................	2,012.3	2,107.7	2,108.6	2,039.9	42.1
Current Assets (in ₱ millions)..........................	48.0	66.5	77.4	88.5	1.8
Current Liabilities (in ₱ millions)...................	478.9	596.3	658.0	700.9	14.5
Current Ratio(1)..	**0.10**	**0.11**	**0.12**	**0.13**	**0.13**
Total Liabilities (in ₱ millions)	**1,331.2**	**1,388.2**	**1,418.5**	**1,508.7**	**31.1**
Total Equity (in ₱ millions)..........................	**9,331.7**	**9,007.4**	**8,697.3**	**8,315.2**	**171.6**
Liabilities to Equity Ratio (2).........................	**0.14**	**0.15**	**0.16**	**0.18**	**0.18**
Net Profit (in ₱ millions)	1,104.7	1,179.7	1,170.9	1,110.9	22.9
Return on Equity(3)..	**0.11**	**0.13**	**0.13**	**0.13**	**0.13**
Total Assets (in ₱ millions)	10,662.9	10,395.5	10,115.8	9,823.9	202.7
Asset to Equity Ratio(4)..................................	**1.14**	**1.15**	**1.16**	**1.18**	**1.18**

Notes:

(1) *Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our Company's ability to pay short-term obligations.*

(2) *Liabilities to equity ratio is derived by dividing interest-bearing liabilities (short-term debt and long-term debt) by total equity. The liabilities to equity ratio measures the degree of our financial leverage.*

(3) *Return on equity is derived by dividing net profit by average total equity.*

(4) *Asset to equity ratio is derived by dividing total assets by total equity. The asset to equity ratio measures our Company's financial leverage and long-term solvency.*

Key Financial Figures and Ratios	**For the nine months ended March 31, 2020**	**As of and for the nine months ended March 31, 2021**	**As of and for the nine months ended March 31, 2021**
	₱ millions		**US$ millions**
Rental Income (in ₱ millions)	1,495.9	1,587.1	32.7
Current Assets (in ₱ millions)	N/A	93.0	1.9
Current Liabilities (in ₱ millions)	N/A	511.3	10.5
Current Ratio(1)	**N/A**	**0.18**	**0.18**
Total Liabilities (in ₱ millions)	**N/A**	**1,329.5**	**27.4**
Total Equity (in ₱ millions)	**N/A**	**8,270.5**	**170.6**
Liabilities to Equity Ratio (2)	**N/A**	**0.16**	**0.16**
Net Profit (in ₱ millions)	819.1	953.2	19.7
Return on Equity(3)	**N/A**	**0.11**	**0.11**
Total Assets (in ₱ millions)	N/A	9,600.0	198.1
Asset to Equity Ratio(4)	**N/A**	**1.16**	**1.16**

Notes:

(1) *Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our Company's ability to pay short-term obligations.*

(2) *Liabilities to equity ratio is derived by dividing interest-bearing liabilities (short-term debt and long-term debt) by total equity. The liabilities to equity ratio measures the degree of our financial leverage.*

(3) *Return on equity is derived by dividing net profit by average total equity.*

(4) *Asset to equity ratio is derived by dividing total assets by total equity. The asset to equity ratio measures our Company's financial leverage and long-term solvency.*

SUMMARY PRO FORMA FINANCIAL INFORMATION

*The following tables present summary pro forma financial information for MREIT and has been prepared solely for the inclusion in the REIT Plan. The selected pro forma financial information should be read in conjunction with the audited interim financial statements of the Company as at and for the three months ended March 31, 2020 and the audited Combined Carve-out Financial Statements. The unaudited pro forma information has been prepared in accordance with Section 9, Part II of the Revised Philippine Securities Regulation Code Rule 68, as amended ("**SRC Rule 68**").*

The unaudited pro-forma financial information has been prepared on a cost basis except for investment properties which are accounted for under fair value method of accounting. The Company carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances.

The objective of this pro-forma financial information is to show what the significant effects on the historical financial information might have been had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements occurred at an earlier date. However, the unaudited pro-forma financial information is not necessarily indicative of the result of operations or related effects on the financial statements that would have been attained, had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements actually occurred at an earlier date nor do they purport to project the results of operations of the Company for any future period or date. The unaudited pro-forma financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in PFRS.

The pro-forma information has not been prepared in accordance with the requirements of Article 11 of the Recognition S-X under the U.S. Exchange Act.

P&A Grant Thornton has conducted its assurance engagement in accordance with Philippine Standard on Assurance Engagements (PSAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Auditing and Assurance Standards Council. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the pro forma condensed financial information on the basis of the applicable criteria described in Note 2 to the pro forma condensed financial information. For purposes of this engagement, P&A Grant Thornton is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma condensed financial information nor has it, in the course of this engagement, separately performed an audit or review of the interim financial information used in compiling the pro forma condensed financial information.

PRO-FORMA CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the year ended June 30, 2020	For the nine months ended March 31, 2021	
	(Unaudited)	(Unaudited)	(Unaudited)
	₱ millions, except per share value	₱ millions, except per share value	US$ millions, except per share value
Revenues			
Rental income	2,039.9	1,587.1	32.7
Income from dues – Net[1]	126.4	98.0	2.0
	2,166.3	1,685.1	34.7
Cost of services	(131.6)	(102.6)	(2.1)
Gross profit	2,034.7	1,582.4	32.6
Other operating expenses	(90.0)	(75.7)	(1.6)
Operating profit (loss)	1,944.7	1,506.7	31.0
Other income (charges) - Net			
Fair value gains (losses) on investment properties	(2,393.4)	2,101.1	43.4
Interest expense	(28.0)	(21.7)	(0.4)
	(2,421.4)	2,079.4	43.0
Profit (loss) before tax	(476.7)	3,586.0	74.0
Tax expense	143.3	(319.3)	(6.6)
Net profit (loss)	(333.4)	3,266.8	67.4
Other comprehensive income	-	-	-
Total comprehensive income (loss)	**(333.4)**	**3,266.8**	**67.4**
Basic and diluted earnings (loss) per share	**(₱0.13)**	**₱1.29**	**US$0.03**

Note: (1) While Income from Dues has not been included in our historical financial statements or in our Combined Carve-out Financial Statements, it will form part of our Gross Revenue in the future.

PRO-FORMA CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As of March 31, 2021 (Unaudited)	
	₱ millions	US$ millions
Current assets		
Cash	1,240.0	25.6
Trade receivables - net	71.9	1.5
Deferred input value added tax	0.0	0.0
Due from a related party	718.1	14.8
Prepayments and other current assets	20.6	0.4
Total current assets	2,050.6	42.3
Non-current assets		
Trade receivables - net	235.2	4.9
Deposit from future acquisition of real properties	-	-
Investment properties	49,202.4	1,015.2
Total non-current assets	49,437.6	1,020.0
Total assets	**51,488.2**	**1,062.4**
Current liabilities		
Accrued expenses	12.6	0.3
Deposits and other liabilities	265.2	5.5
Due to parent company	0.2	0.0
Total current liabilities	278.0	5.7
Non-current liabilities		
Deposits and other liabilities	780.5	16.1
Total liabilities	**1,058.6**	**21.8**
Equity		
Capital stock	2,532.1	52.2
Additional paid-in capital	47,920.3	988.7
Retained earnings (deficit)	(22.8)	(0.5)
Total equity	**50,429.7**	**1,040.5**
Total liabilities and equity	51,488.2	1,062.4

PRO-FORMA CONDENSED INTERIM STATEMENT OF CASH FLOWS

	For the year ended June 30, 2020 (Unaudited)	For the nine months ended March 31, 2021 (Unaudited)	(Unaudited)
	₱ millions	₱ millions	US$ millions
Cash flows from operating activities			
Net cash flows from operating activities	1,811.1	1,286.5	26.5
Cash flows from an investing activity			
Deposit made for future acquisition of real properties	-	-	-
Cash flows from a financing activity			
Proceeds from issuance of shares	1,250.0	1,240.0	25.6
Other pro forma adjustments	**(1,821.1)**	**(1,286.5)**	**(26.5)**
Net increase in cash	**1,240.0**	**1,240.0**	**25.6**
Cash at beginning of period	**-**	**-**	**-**
Cash at end of period	**1,240.0**	**1,240.0**	**25.6**

RISK FACTORS

An investment in the Offer Shares involves a number of risks. You should carefully consider all the information contained in this REIT Plan, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on our business, prospects, financial condition, results of operations, the market price of the Offer Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares could be lost. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Our past performance is not a guide to our future performance. There may be a large difference between the buying price and the selling price of the Offer Shares. For investors that deal in a range of investments, each investment carries a different level of risk.

This section does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Investors should undertake independent research and study the trading of securities before commencing any trading activity. You should seek professional advice if you are uncertain of, or have not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Offer Shares. You should consult your own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of an investment in the Offer Shares.

*The means by which we intend to address the risk factors discussed herein are principally presented under "*Business and Properties—Competitive Strengths*" beginning on page 112, "*Business and Properties—Key Strategies*" beginning on page 133, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 74, "*Industry Overview*" beginning on page 169 and "*Board of Directors and Senior Management—Compliance with Corporate Governance Practices*" on page 206 of this REIT Plan.*

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition and prospects.

RISKS RELATING TO OUR BUSINESS

We are exposed to risks inherent in the Philippine real estate market (and especially Metro Manila) as most of our Properties are situated in Metro Manila.

We are highly dependent on the performance of the Philippine real estate market and the state of the Philippine economy because all of our Properties are located in the Philippines. The demand for, and prevailing prices of office leases are directly related to the strength of the Philippine economy and the overall levels of business activity in the Philippines. The growth of the real estate sector has been mainly driven by the fast-growing BPO sector, which is vulnerable to global economic changes. As one of the fastest growing sectors in the Philippine real estate industry, the BPO sector drives office space demand, which fuels the performance and profitability of our Properties.

Several factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies and other factors beyond our control. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may have an adverse effect on the outlook on the Philippine property market and lead to an adverse change in the Philippines' macroeconomic situation generally, which could materially and adversely affect our results of operations. Moreover, the ongoing COVID-19 pandemic could result in our tenants in the BPO sector taking actions to mitigate its impact, such as early termination of leases, downsizing or non-renewal of leases, particularly with the increase in work-from-home arrangements. See "*—The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition*" and "*—Risks Relating to Our Operations—A substantial portion of our revenues are derived from a limited number of key tenants in the BPO sector. Any conditions that impact these tenants or the BPO sector may adversely affect our business, financial condition and results of* *operations.*" Thus, we are directly affected by the risks that affect the Philippine property market as a whole, and the property market in the BPO sector in particular. We cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of our Properties and a decrease in our rental rates.

Considerable economic and political uncertainties currently exist in the Philippines that could have adverse effects on consumer spending habits, construction costs, availability of labor and materials and other factors affecting our business. Significant expenditures associated with investment in real estate, such as real estate taxes, maintenance costs and debt payments, generally cannot be correspondingly reduced if changes in the Philippine property market or the Philippine economy cause a decrease in revenues from our properties. Since all of the Properties are located in the Philippines, reduced levels of economic growth, adverse changes in the country's political or security situation, and weaker performance of the country's property development market generally could materially adversely affect our business, prospects, results of operations and financial condition.

In addition, eight of our 10 Properties are currently all located in Metro Manila, primarily in cities of Taguig and Quezon. For the nine months ended March 31, 2021, 92.4% of our Rental Income was generated from our Properties located in Metro Manila. Such concentration of our Properties subjects our Company to the risk of a decline in land or real estate value in Metro Manila specifically. Certain infrastructure plans in Metro Manila, including the Metro Manila Subway, may not be completed as planned (or within original timelines) as a result of, e.g., budget reallocation by the Government, which may have an adverse effect on our performance due to decline in the value of our Properties. See "*Business and Properties—Competitive Strengths*" beginning on page 112 which discusses how we manage these risks, including our focus on Grade A commercial buildings in prime locations, consistent with our attention to Live-Work-Play townships that have access to well-planned, modern infrastructure and road networks, making them desirable projects for homebuyers and office locators alike.

The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020. On January 30, 2020, the World Health Organization ("**WHO**") declared the COVID-19 outbreak a Public Health Emergency of International Concern, and subsequently, a pandemic on March 11, 2020. In response to the pandemic, on March 13, 2020, the Philippine government placed Metro Manila under "community quarantine" starting on March 15, 2020, which, among others, restricted traveling through land, domestic air, and domestic sea from Metro Manila. On the second day of the implementation of the said community quarantine, the Philippine government declared a Luzon-wide "enhanced community quarantine" ("**ECQ**") to arrest the continuing effect of the disease. The enhanced community quarantine mandated the temporary closure of all public and private offices, non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of Luzon, except for diplomats and uniformed workers (carrying medical supplies), among others. In line with this, private establishments providing basic necessities, essential services and such other activities related to food and medicine were allowed to continue operations. On April 7, 2020, the Philippine government extended the ECQ period until April 30, 2020, which was further extended to May 15, 2020. After the ECQ was lifted in certain areas, a modified ECQ ("**MECQ**"), general community quarantine, ("**GCQ**") or modified GCQ ("**MGCQ**") was implemented. The graduated lockdown schemes from ECQ, MECQ and GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations in the Philippines. The Government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. On March 27, 2021, following a spike in COVID-19 cases, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021. From April 12, 2021 to May 14, 2021, the quarantine classification for these areas was downgraded to MECQ. Thereafter, beginning May 15, 2021, the Government further reclassified the quarantine classification for the same regions to GCQ. On July 30, 2021, the Government again placed Metro Manila under ECQ from August 6, 2021 to August 20, 2021. On August 20, 2021, the Government downgraded Metro Manila to MECQ from August 21, 2021 to September 15, 2021. As of the date of this REIT Plan, Metro Manila is under MECQ.

Amid COVID-19 and in compliance with the Government's ECQ guidelines, malls, hotels, and other businesses, except those providing essential goods and services were temporarily closed. The Properties, however, continued operations because these are occupied by tenants providing essential services, such as banks, or were otherwise occupied by BPOs, which were permitted to continue operations under the Government's community quarantine guidelines. Occupancy rates have remained stable and our Company did not experience any significant change before, during and after the ECQ lockdown period. Our Company's office segment exhibited resiliency as the business process outsourcing (BPO) or traditional office sector, which makes up the entirety of our office tenants, has remained operational even during the lockdown period. Hence, there was no drop in the overall occupancy rate of the segment, defined as the percentage of overall occupied GLA associated with office tenants divided by the total number of GLA available for lease, multiplied by 100. There were generally no rental abatements or waivers offered by the Company to our BPO/traditional office tenants during this period and our BPO/traditional office tenants have continued to pay their rentals. However, for retail leases, payment holidays and rent waivers were previously granted covering a three-month period to assist tenants affected by the quarantine, and our Company later waived fixed rental fees and instead is currently implementing rates based on percentage of sales for some retail tenants, which policy would continue until the recovery of overall economy.

We believe that our tenants are diverse and reputable businesses and industry leaders. Most of these companies continued to operate in some capacity during the various community quarantine measures and all buildings have remained open and operational in the course of the pandemic. In addition, for those tenants in the BPO industry, we believe that work-from-home arrangements may not be as productive as on-site operations due to, among others, poor internet connectivity, data privacy restrictions and limitations in allowing PEZA companies to take out equipment off-site. However, certain tenants have or have clients who have adopted work-from-home arrangements since the advent of the COVID-19 pandemic and may adopt similar arrangements for their business operations moving forward.

The COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure you that conditions in the bank lending, capital and other financial markets will not deteriorate as a result of the pandemic, or that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancing. In addition, the deterioration of global economic conditions as a result of the pandemic may ultimately decrease occupancy levels and pricing across our Portfolio. Our tenants may experience deteriorating financial conditions resulting in their inability to pay rent on a timely basis and renew long-term lease contracts at the previous or current market rental rates or at all. For spaces that become vacant, inquiries on available space may be limited and fit-out of new spaces are restricted while lockdowns are imposed by the government. We may also incur additional expenses and our operating costs may increase due to intensified sanitation, disinfection, access monitoring and control points, and other similar protocols. Further, delays in the delivery and roll-out of vaccines in the Philippines may influence the proportion of the national workforce that continues to operate under work-from-home procedures as against the proportion of the national workforce that is allowed to operate in traditional office spaces. We cannot assure you that occupancy levels and pricing across our Portfolio will remain at historic or current levels.

To manage these risks, we intend to maintain and enhance asset quality to improve the attractiveness of our properties and command strong rental rates, and sustain strong and long-term relationships with tenants to ensure continued satisfaction and retention. We have also implemented various measures and protocols to ensure the safety of our tenants, employees and other visitors to our Properties. See "*Business—Recent Developments Relating to the COVID-19 Pandemic—Measures to Mitigate the Spread of COVID-19.*"The extent of the COVID-19 pandemic impact will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19, such as the delivery and take-up of vaccines, both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Significant competition in the markets in which we operate could adversely affect our business.

We operate in a highly competitive industry. Our future growth and development is dependent, in large part, on the availability of large tracts of office and commercial assets suitable for acquisition, development or lease. As we and our competitors compete for such assets, it may become more difficult to find suitable properties in locations and at prices acceptable to us, particularly in Metro Manila, CBDs and other key urban areas. To the extent that we are unable to grow our portfolio at acceptable prices, our growth prospects could be limited and our business and results of operations could be adversely affected.

A number of other office and commercial center developers and real estate services companies, some with greater financial and other resources than us, compete with our Company in various aspects. Competition from other real estate developers and real estate services companies may adversely affect our ability to grow our portfolio, or attract and retain tenants, and continued development by these and other market participants could result in saturation of the market for office spaces.

The income from, and market value of, the Properties will be largely dependent on the ability of the Properties to compete against other commercial properties in the area in attracting and retaining tenants. Important factors that affect the ability of commercial properties to attract or retain tenants include the attractiveness and condition of the building and the surrounding area to prospective tenants and their customers or clients, the quality and responsiveness of the building's existing tenants, the quality of the building's property manager, supply of comparable space, changing needs of business users, and PEZA registration. Attracting and retaining tenants often involves re-fitting, repairing, or making improvements to mechanical, electrical, and technical systems and outward appearance. We attempt to address these challenges by enhancing the Properties' appeal to a broad range of office and retail tenants, through the monitoring by the Property Manager, of the mix of tenants in each of the Properties, which allows us to generate a higher percentage of rental income from returning lessees. See "*Business and Properties—Key Strategies—Optimize tenant-mix to maximize the desirability of the Properties*" on page 134.

The age, construction quality, building conditions and design of a particular property may affect the occupancy level as well as the rent that may be charged. The effects of poor construction quality will increase over time in the form of increased maintenance and capital improvements needed to maintain the property. Even well-built or well-designed properties will deteriorate or become obsolete over time if the property manager does not schedule and perform adequate maintenance and building upgrades in a timely fashion. We attempt to manage this by ensuring that tenants in the Properties receive continued and dedicated service. See "*Business and Properties—Key Strategies—Preserve tenant loyalty through enhanced, reliable and consistent service and support*" on page 134.

If competing properties of a similar type are built where the Properties are located or similar properties in the vicinity of the Properties are substantially updated and refurbished, the value of and Gross Revenue generated by the Properties could be reduced. This risk is mitigated by the strategic location of the Properties within the Sponsor's townships. These developments seamlessly integrate residential, commercial and office properties, as well as leisure, entertainment and institutional components into walkable communities and thriving mini-cities in key locations around the Philippines. Historically, the Sponsors properties within the township would command rental premiums compared to stand-alone properties in the immediate vicinity. See "*Business and Properties—Competitive Strengths—Strategic location of REIT assets in integrated "live-work-play" townships pioneered by the Sponsor which have developed into new unique CBDs and economic growth areas*" on page 112.

Market changes in demand for new types of office space may reduce the appeal of our Properties to potential tenants.

Our Properties cater primarily to the BPO sector and the traditional office sector. Majority of our Properties are currently designed with traditional office space or to suit the specific requirements of a BPO tenant.

Recent trends in the Philippine commercial leasing market, however, indicate that many corporate consumers desire non-traditional office space, such as co-working spaces. Tenants that desire these types of co-working space also typically seek short-term lease terms. There is no guarantee that we will be able to keep pace with such changes in the commercial leasing market and offer office space and rental terms that are desirable for such businesses. There is also no guarantee that our current tenants will not prefer different types of office space and rental arrangements. If our pool of potential tenants is significantly reduced or if a large number of tenants do not renew their leases as a result of such trends, the Rental Income generated by our Properties could be adversely affected, which could adversely affect our financial condition and results of operations and ability to make distributions at the desired levels. We attempt to manage this risk by actively monitoring the real estate market in the Philippines to assess market trends and respond to changing needs and tastes, and by continuing to maximize the desirability of our Properties and by pursuing well-planned and timed asset acquisition and investments. See "*Business and Properties—Key Strategies—Pursue sustained inorganic growth through well-planned and timed asset acquisition and investments*" on page 134.

Our Fund Manager and Property Manager are wholly owned subsidiaries of the Sponsor. There may be potential conflicts of interest between our Company, our Fund Manager, our Property Manager and our Sponsor, which may cause damage or loss to our Company and Shareholders.

Our Sponsor, its Subsidiaries, and Affiliates are engaged in the investment in, and the development and management of, properties, including office and commercial assets, in the Philippines. Each of our Fund Manager and Property Manager is a wholly owned Subsidiary of our Sponsor. Our executive officers are also compensated by our Sponsor. As a result, the strategy and activities of our Company may be influenced by the overall interests of our Sponsor, our Fund Manager, our Property Manager, or all of them. See "*Certain Agreements Relating to our Company and the Properties*."

In addition, our Company is envisioned to be the flagship REIT company of our Sponsor, and while our Company's investment plan allows the acquisition of assets from third parties, our Fund Manager may give preference and/or recommend that our Company acquire other assets from our Sponsor or parties related to our Sponsor in the future. In order to manage such risk, our Fund Manager is required to obtain valuations from independent property valuers and to comply with all other requirements applicable to such transactions under the REIT Law. See "*The Fund Manager and the Property Manager—Our Fund Manager*" and "*The Fund Manager and the Property Manager—Related Party Transactions*." Pursuant to the Company's investment strategy, such property will (i) be located in a prime location in either Metro Manila, key provinces in the Philippines or other attractive locations, as opportunities arise; (ii) primarily (but not exclusively) focused on Grade A office properties (including industrial properties), but may be related to other types of real estate properties, including retail, residential, hospitality, industrial, etc., available in the market; and (iii) have stable occupancy, tenancy and income operations. See "*Business and Properties—Investment Policy*."

There may be direct competition between our Company and our Sponsor.

Our Sponsor, its Subsidiaries, and Affiliates are engaged in the investment in, and the development and management of, properties, including office and commercial assets, in the Philippines. As a result, there may be circumstances where our Company competes directly with our Sponsor for property acquisitions and tenants, which could lead to lower occupancy levels, lower rental rates, or both for the Properties and could adversely affect distributions to our Shareholders.

Each of our Fund Manager and Property Manager is a wholly owned Subsidiary of our Sponsor. In the future, our Company may decide to engage a different fund manager or property manager for the Properties and any future properties acquired by our Company. This potential fund manager and property manager may also be related to our Sponsor. There can be no assurance that our Fund Manager or our Property Manager or a potential future fund manager or property manager related to our Sponsor will not favor properties that our Sponsor has retained in its own property portfolio over those owned by our Company when providing such services to us. In addition, our Sponsor may create a new REIT which may or may not primarily be a commercial REIT similar to our Company. Such a new REIT can compete with our Company for properties, resources and opportunities from our Sponsor. While our Sponsor has no plans to create another REIT as of the date of this REIT Plan, and the Sponsor and our Company have entered into a Memorandum of Understanding on our Company's acquisition of three out of four Income-generating assets from the Sponsor no later than the fourth quarter of 2021, if another REIT is created by our Sponsor in the future, such competition may adversely affect our results of operations. To manage such risks, we utilize our association with the Sponsor that offers various growth avenues and efficiencies for us, including the ability to leverage on the Sponsor's established relationships and real estate expertise. See "*Certain Agreements Relating to our Company and the Properties – Memorandum of Understanding on Four Growth Assets*" and "*Business and Properties – Competitive Strengths*".

The valuation reports on the Properties are based on various assumptions and may not be indicative of the actual realizable value and are subject to change.

The appraised values of our Properties are contained in the valuation reports attached to this REIT Plan (the "**Valuation Reports**") and prepared by Santos Knight Frank, Inc. ("**SKF**" or the "**Valuer**"). The Valuation Reports are based on multiple assumptions containing elements of subjectivity and uncertainty. The valuation was made on the basis of market value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." To arrive at the market value of the Properties, SKF used the income approach, specifically the discounted cash flow ("**DCF**") analysis since this method is usually used to determine the value of an income-generating property, as it also captures the Property's future economic benefits, giving a representation of the relevant Property's market value at an acceptable rate of return that would compensate for the risks associated with that particular investment. For details on the assumptions, disclaimers and methodology used in the Valuation Reports, see Annex 3 (*Valuation Reports*) elsewhere in this REIT Plan.

The valuation is an estimate and not a guarantee, and it is fully dependent upon the accuracy of the assumptions as to income, expense and market conditions. The assumptions made and conclusions derived may turn out to be inaccurate, which may affect the valuation of the Properties. Further, the Valuer has followed the DCF analysis to arrive at the valuation. There is no assurance that other methodologies would not have led to different valuations. Further, in the event that the Valuer does not continue to value the Portfolio subsequent to the listing of MREIT, and a new valuer is appointed by MREIT for the purpose of the ongoing valuation of the Portfolio, there can be no assurance that the methodology, assumptions and valuation will not be different from the valuation arrived at by SKF in the Valuation Reports. As a result of these assumptions, the appraised values of our Properties may differ materially from the price we could receive in an actual lease or sale of the Properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to our Properties, as well as national and local economic conditions, may affect their value. In particular, the valuation of our properties could stagnate or even decrease if the market for comparable properties in the Philippines experiences a downturn whether as a result of Government policies directed to the property sector or changing market conditions due to the ongoing COVID-19 pandemic or otherwise.

To manage such risks, the Property Manager would endeavor to enhance the Properties' appeal to a broad range of office and retail tenants, monitoring the mix of tenants in each of the Properties, and offering tenants prime locations and Grade A office space suitable for headquarters and BPO operations, and adequate infrastructure providing high-speed connectivity and uninterrupted power supply. See "*Business and Properties—Key Strategies—Optimize tenant-mix to maximize the desirability of the Properties*" on page 134.

The Valuation Reports do not purport to contain all the information that may be necessary or desirable to fully evaluate our Company or the Portfolio or an investment in the Shares. The Valuation Reports do not confer rights or remedies upon investors or any other person, and does not constitute and should not be construed as any form of assurance as to our financial condition or future performance or as to any other forward looking statements included therein, including those relating to macro-economic factors, by or on behalf of our Company, the Sponsor, the Fund Manager, the Property Manager, the International Bookrunners or the Domestic Underwriters. The Valuation Reports have not been updated since the date of their issue, and do not consider any subsequent developments and should not be considered as a recommendation by our Company, the Sponsor, the Fund Manager, the Property Manager, the International Bookrunners or the Domestic Underwriters or any other party, that any person should take any action based on such valuation. Accordingly, investors should not rely on the Valuation Reports in making an investment decision to purchase Shares.

Our Company may face risks associated with debt financing and capital raising activities.

As of the date of this REIT Plan, our Company had no outstanding indebtedness relating to the Properties. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness*." In the future, however, our Company may require debt financing or undertake other capital raising activities to achieve our Fund Manager's asset enhancement strategies. Our Company may be subject to risks normally associated with debt financing, including the risk that its cash flow will be insufficient to pay distributions at expected levels and meet required payments of principal and interest under such financing. Our Company may also be subject to the risk that it may not be able to refinance its indebtedness or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. In addition, our Company may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect operations and the ability to make distributions to Shareholders. Such covenants may restrict our ability to acquire properties or require us to set aside funds for maintenance or the paying back of security deposits.

In addition, the real estate industry is capital intensive and from time to time, we may require significant amounts of capital for purposes such as acquisitions or redevelopment. Since the amount of borrowings that we can incur to finance acquisitions is limited by the REIT Law, such future acquisitions or redevelopment may be dependent on our Company's ability to raise equity capital. This may result in a dilution of investors shareholdings. Potential investors may also view negatively the prolonged time frame and lack of certainty associated with the raising of equity capital.

If principal payments due at maturity cannot be refinanced, extended, or paid with proceeds of other capital transactions such as new equity capital, we may not be able to pay distributions at expected levels or to repay all maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial real estate loans) result in higher interest rates on refinancing, the interest expense relating to such refinanced indebtedness would increase, which would adversely affect our cash flow and the amount of distributions we could make to our Shareholders. In addition, if there is a breach of a material term of our debt facilities with banks or financial institutions, our Company may not be able to make any distribution to our Shareholders without the prior written consent of the lenders.

Moreover and pursuant to the REIT Law, the Properties may be mortgaged to secure payment of indebtedness. If we take advantage of this allowance and are unable to meet interest or principal payments in respect of such indebtedness, the Properties or any of them could be foreclosed by or otherwise transferred to our creditor, or our creditor could require a forced sale of a Property with a consequent loss of income and asset value to our Company. We attempt to manage these risks by having the Fund Manager closely monitor and manage the Company's balance sheet and resources to optimize the overall returns for shareholders while preserving the long-term financial health of the Company. See "*Business and Properties—Key Strategies—Prudent and focused management of capital and risk*" on page 135.

Our Fund Manager and our Property Manager are newly incorporated entities and do not have an established track record and operating history.

Our Fund Manager was incorporated by the Sponsor on November 18, 2020 and as such, has had no operating history relating to the management of REITs, although, in order to manage this risk, the Sponsor has significant experience in corporate finance matters and many of the directors and officers of the Fund Manager have extensive experience in fund management, corporate financing and other relevant finance-related functions in the real estate industry, including over 220 years of accumulated experience in the areas of fund management, corporate finance, other relevant finance-related functions, property management in the real estate industry or in the development of the real estate industry. See "*The Fund Manager and the Property Manager—Our Fund Manager—Directors and Executive Officers of the Fund Manager*." There can be no assurance that our Company, under the direction of the Fund Manager, will be able to generate sufficient revenue from operations to make distributions at expected levels to Shareholders.

Our Property Manager was incorporated by the Sponsor on October 13, 2020 and has had no operations and property management experience by which its past performance may be evaluated. To address this risk, our Sponsor has significant experience in property management, and the directors and officers of our Property Manager have gained many years of valuable experience in commercial real estate operations, leasing, and property management while working with our Sponsor. See "*The Fund Manager and the Property Manager—Our Property Manager—Directors and Executive Officers of the Property Manager*." As a recently established entity, there will be no operating history that could guide investors in assessing the likely future performance of our Property Manager, and in turn, our Company's likely future performance.

Our Fund Manager may not implement our Company's investment policies or successfully implement our Company strategy.

Certain aspects of our Company's activities, including investments and acquisitions, will be determined by our Fund Manager in accordance with this REIT Plan and our investment strategy. See "*Business and Properties—Investment Policy*." While our Fund Manager intends to focus on investments in office and commercial real estate assets in the Philippines, the Fund Management Agreement gives our Fund Manager broad discretion in implementing the investment strategies of our Company by: (i) determining the allocation of our Company assets to allowable investment outlets in accordance with the REIT Plan and the investment strategies of our Company; and, (ii) selecting income-generating real estate in accordance with our Company's investment strategies. For this purpose, however, notwithstanding the written instructions of our Company, it shall be the fiduciary responsibility of the Fund Manager to objectively evaluate the desired investments and formally advise our Company of its recommendation, even if contrary to our Company's instructions, subject to compliance with the requirements on allowable investments of a REIT under the REIT Law.

In addition, there is no assurance that the Fund Manager will be able to successfully implement and execute our Company's investment strategy or that it will be able to expand our portfolio at any specified rate or to any specified size. The Fund Manager may not be able to make acquisitions or investments on favorable terms or within a desired time frame. Our Company's strategy to invest in commercial assets is also dependent on our ability to appropriately fund such investments. We may rely on external sources of funding to expand our portfolio, which may not be available on favorable terms or at all or may otherwise be subject to limitations on indebtedness imposed by the REIT Law. Even if we are able to successfully complete additional property investments, there can be no assurance that we will achieve the intended return on investments.

In order to grow our portfolio, our Company together with the Fund Manager will seek and evaluate opportunities to acquire or lease other office and commercial assets. We may face competition from property development companies, other REIT companies and private investment funds in acquiring suitable and attractive properties which meet our financial and strategic investment criteria. There is no assurance that our Company will be able to compete effectively against such entities or that we will be able to successfully acquire properties or other investments.

Moreover, there are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves, as well as risks and uncertainties in the compliance by our Company and our Fund Manager of the requirements of the REIT Law. These risks include, for example, the risk that the costs of undertaking an acquisition or renovation project may exceed original estimates, possibly making the project uneconomical or the risk that occupancy levels and rents of a completed project will not be sufficient to make the project profitable. In case of an unsuccessful project, our Company's loss could exceed its investment in the project. There is no assurance that such acquisitions will achieve the intended return on such acquisitions or investments. We believe that these risks could be addressed by our Fund Manager's legal and fiduciary obligation to act on behalf of and in the best interest of our Company and the provision of our investment strategy as described in this REIT Plan. See "*The Fund Manager and the Property Manager—Our Fund Manager*" on page 180.

Our Company faces litigation risks and regulatory disputes in the course of our business.

In the ordinary course of our business, claims and disputes involving the Fund Manager, the Property Manager, lessees, tenants, business partners, and regulatory authorities may be brought against us and by us in connection with our contracts or business. Claims may be brought against us for breach of contract, law, or regulation, as well as claims relating to taxes, among others. If found to be liable, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance. We may also engage in disputes with regulatory authorities, including the Philippine Bureau of Internal Revenue (the "**BIR**"), on tax-related matters in connection with our business and operations.

To manage these risks, we seek to maintain good relationships with our Fund Manager, our Property Manager, lessees, tenants, regulators and other parties whom we regularly deal with and to resolve disputes early and amicably. However, when appropriate, both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings such that the amounts ultimately realized from claims by us could differ from the balances included in our financial statements. Such claims could therefore have an adverse impact on our business, financial condition and results of operations. As of the date of this REIT Plan, our Company is not involved in any material litigation, nor, to our Company's knowledge, is any material litigation currently threatened against it.

Our business and operations are dependent upon the expertise and experience of the Fund Manager's and Property Manager's managers and employees.

As part of its transition to a REIT, the executive officers of our Company will be seconded from other companies in the Megaworld Group. As such, our Company will be dependent on the expertise and experience of the Fund Manager's and the Property Manager's directors, senior management, and other key employees for the success of the business. Most of these individuals possess deep industry knowledge and an acknowledged reputation in the market, owing to their track records and experience. See "*Board of Directors and Senior Management*," "*The Fund Manager and the Property Manager—Our Fund Manager—Directors and Executive Officers of the Fund Manager*" and "*The Fund Manager and the Property Manager—Our Property Manager—Directors and Executive Officers of the Property Manager*." If one or more of these directors or members of senior management are unable or unwilling to continue in their present positions, the Fund Manager or the Property Manager may not be able to replace them within a reasonable period of time with individuals who possess comparable expertise and experience, or at all, which may seriously disrupt, and materially and adversely affect, our business, results of operations, and future prospects. We intend to manage the foregoing risks by adopting a business continuity plan and succession plan by identifying members of the management who will be able to assume and take on the role and additional responsibilities arising from such departure.

We are party to a number of related party transactions.

In the ordinary course of our business, we enter into transactions with related parties. In particular, such related parties include members of the Megaworld Group such as the Sponsor, the Fund Manager, the Property Manager, among others. Our Company and the Sponsor have entered into a contract of lease over Richmonde Hotel Iloilo, under which the Sponsor would lease Richmonde Hotel Iloilo from our Company for 25 years commencing June 1, 2021. Also, pursuant to the Fund Management Agreement entered into on May 12, 2021 between our Company and the Fund Manager, the Fund Manager has the overall responsibility for the allocation of the Properties to the allowable investment outlets and selection of income-generating real estate. Moreover, the Property Management Agreement was entered into on May 12, 2021 between our Company and the Property Manager, pursuant to which the Company engaged the Property Manager to operate, maintain, manage, and market each Property, subject to the overall management and directions of the Fund Manager.

In addition, the Properties are situated on lands owned by our Sponsor. On May 3, 2021, lease agreements were entered into between our Company and the Sponsor over the land on which the Properties stood for an aggregate period of 50 years.[5] As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[6] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years.

Further, the Sponsor has also granted our Company a non-exclusive and royalty-free right to use the McKinley Hill trademark and the Iloilo Business Park trademark for a period of 25 years commencing on June 1, 2021 until June 1, 2046. These agreements and our other related party transactions are described in greater detail under "*Related Party Transactions*" and "*Certain Agreements Relating to our Company and the Properties*" in this REIT Plan and the notes to our financial statements appearing elsewhere in this REIT Plan. Such interdependence may mean that any material adverse changes in the operations or financial condition of related parties could adversely affect our results of operations.

We expect that we will continue to enter into transactions with related parties. These transactions may involve potential conflicts of interest which could be detrimental to us or our Shareholders. Under the REIT Law, any related party transaction of our Company must comply with certain minimum requirements which include (a) full, fair, timely, and accurate disclosures to the PSE and SEC of the identity of the parties, their relationship with our Company, and other important terms and conditions of the transaction; (b) fair and reasonable terms, including the contract price; (c) approval by at least a majority of the entire membership of our Board, including the unanimous vote of all Independent Directors of our Company; (d) a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the SEC, in the case of an acquisition or disposition of real estate assets and property or share swaps or similar transactions; and (e) any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in our Company.

Furthermore, under Section 50 of the Tax Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business.

On January 23, 2013, the BIR issued Revenue Regulation No. 2-2013 on Transfer Pricing Guidelines (the "**Transfer Pricing Guidelines**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. The Transfer Pricing Guidelines are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Guidelines define related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises.

The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR can make the necessary adjustments to the taxable profits of the related parties so as to reflect the true value that would otherwise be derived on an arm's length basis.

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[5] The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

[6] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

Our Company has a number of related party transactions that have been entered into on an arm's length basis, including building lease contracts with the Sponsor, Suntrust Properties Inc., Asia Affinity Property Management Inc., Emperador Distillers Inc. and Anglo Watsons Glass Inc. Our Company has also executed the following documents with our Sponsor: (i) the May 3, 2021 Deed; (ii) Contracts of Lease, as amended, pursuant to which we have leased from our Sponsor all land on which our 10 Properties in the Portfolio are situated; and (iii) Deed of Assignment of Leases. However, we have no assurance if the BIR will view these transactions as arm's length on the basis of the Transfer Pricing Guidelines. We believe that these risks are managed by having a Related Party Transaction Committee that is tasked with reviewing all material related party transactions and evaluating relations between and among business and counterparties, consistent with the policy contained in our Manual. See "*Board of Directors and Senior Management—Board Committees*" and "*Related Party Transactions*."

We can provide no assurance, however, that our related party transactions, if questioned, will not have an adverse effect on our business or results of operations.

RISKS RELATING TO OUR OPERATIONS

We have no prior operating history as a REIT and may not be able to operate our business successfully or generate sufficient cash flows to make or sustain distributions. Further, the Combined Carve-out Financial Statements were prepared for this REIT Plan and may not necessarily represent our consolidated financial position, results of operation and cash flows.

Subject to compliance with the REIT Law, MREIT will operate as a real estate investment trust. We have acquired the Portfolio pursuant to the Property-for-Share Swap. Prior to our designation as a REIT entity, our Company was not engaged in any business activities or operations and does not have an operating history as a REIT by which our performance may be judged. Accordingly, there is no assurance that we will be able to achieve our investment objectives.

In addition, the Combined Carve-out Financial Statements have been prepared by separating the historical financial information pertaining to the Properties subject to the Property-for-Share Swap out of the Sponsor's audited financial statements in accordance with PFRS. On May 9, 2021, our Company filed an application with the Philippine SEC for the approval of the Property-for-Share Swap. The Philippine SEC approved the Property-for-Share Swap on June 1, 2021. PFRS does not provide specific guidance for the preparation of combined carve-out financial statements and there can be no assurance that our future performance will be consistent with the past financial information presented in the Combined Carve-out Financial Statements.

The Combined Carve-out Financial Statements included in this REIT Plan have been prepared so as to present the financial position, results of operations and cash flows of the Properties on a combined historical basis as of and for the years ended June 30, 2020, 2019, 2018 and 2017 and as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020, and do not necessarily represent our consolidated financial position, results of operations and cash flows had the Properties been acquired as of such dates. There can be no assurance that our future performance will be consistent with the past financial performance included elsewhere in this REIT Plan.

For further details, "*Selected Financial Information"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations*." See also "*—Risks Relating to the Presentation of Information in this REIT Plan—The presentation of financial information, including of pro forma financial information, in this REIT Plan may be of limited use to investors and may not accurately show the Company's financial position or be indicative of future results.*"

A substantial portion of our revenues are derived from a limited number of key tenants in the BPO sector. Any conditions that impact these tenants or the BPO sector may adversely affect our business, financial condition and results of operations.

Our Revenues are derived from certain key tenants in the BPO sector as follows:

- Tenant Concentration: As of March 31, 2021, our 10 largest tenants (in terms of total GLA across our portfolio but excluding hotel tenants and related parties, our "**Top 10 Tenants**") accounted for 40.7% of our total Portfolio GLA and contributed almost 50.0% of Rental Income for the nine months ended March 31, 2021. Our Top 10 Tenants include major international BPOs. Of our Top 10 Tenants, each of Refinitiv Asia Pte. Ltd. - Philippine Branch, IBM Business Services Inc. and Ingram Micro Philippines BPO LLC accounted for at least 5.0% of total Portfolio GLA for the same period.

- Sector Concentration: Tenants in the BPO and traditional office sector accounted for 89.9% of total available GLA of our Portfolio as of March 31, 2021. In addition, all of our Top 10 Tenants are from the BPO sector.

We expect that in the future, a limited number of key tenants from the BPO sector will continue to comprise a large percentage of our Revenues. Accordingly, our financial condition, results of operations and ability to make distributions may be materially and adversely affected by the downturn in the businesses of one or more of these tenants, non-renewal or early termination of leases for any reason, economic and other factors that could lead to a downturn in the BPO sector. In addition, the downsizing of local operations for international BPO companies and multinational corporations or a prolonged downturn in demand for BPO services may affect the businesses of the tenants, occupancy levels, the tenants' ability to comply with the terms of their leases, and the terms achievable on lease renewals and new leases across our Portfolio. Our BPO tenants may be part of a global business operating across many jurisdictions; hence, may be exposed to changes in the geopolitical and economic environment of their host countries. Such changes include economic or political instability, increasingly complex legal and regulatory frameworks, currency volatility and varying regulatory standards of security. Moreover, the ongoing COVID-19 pandemic could result in our tenants taking actions to mitigate its impact, such as early termination of leases, downsizing or non-renewal of leases, particularly with the increase in work-from-home arrangements.

The value of our Company's investments and the distributions on the Shares may be affected negatively by any of these events. If we are unable to diversify our tenant base, or diversify or expand into other sectors, or we are unable to renew expiring GLA comprising 3.5% of total GLA by the end of 2021, we may experience material fluctuations or decline in our revenue, which may adversely affect our financial condition and results of operations. We attempt to manage such risks by having a portfolio that spread out in three sites, with Eastwood City and McKinley Hill found within Metro Manila, and Iloilo Business Park located in Iloilo City (See "*Business and Properties—Competitive Strengths—Diversified portfolio in terms of tenant base and asset location*") and by optimizing our tenant mix (See "*Business and Properties—Key Strategies—Optimize tenant mix to maximize the desirability of the Properties*").

Our Company is exposed to general risks relating to ownership and operation of office and commercial real estate.

As part of our Company's operations, we are subject to the risks relating to ownership and operation of office and commercial real estate. Factors such as the national and international economic climate, trends in the retail industry, the quality and strategy of management, competition for tenants, changes in market rental rates, the inability to collect rent due to bankruptcy of tenants or otherwise, the need to periodically renovate, repair, and re-let space, and the costs thereof, the ability of our Property Manager to provide adequate maintenance and insurance, increased operating costs, and changes in laws and governmental regulations in relation to real estate could impact upon the performance of the Properties.

The performance of the Properties may also be adversely affected by the following factors:

- vacancies following expiry or termination of leases that lead to reduced occupancy levels, which in turn reduce Rental Income and the ability to recover certain operating costs such as service charges;

- tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rent payment, or which could hinder or delay the sale of a property, or inability to collect rentals at all or the termination of the tenant's lease;

- tenants failing to comply with the terms of their leases or commitments to lease;

- annual rental escalation rates may fall below inflation rates in the future;

- the amount of rent and the terms on which lease renewals and new leases are agreed being less favorable than current leases;

- the oversupply of, or reduced demand for, space;

- downturns in the sales of products or services which particular tenants offer; and

- changes in laws and governmental regulations relating to real estate including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in the management expenses or unforeseen capital expenditure to ensure compliance.

While we have endeavoured to maintain our properties, certain of our Properties have experienced issues such as leaks from rainfall and breakdown of equipment in the past. If our Company or our Property Manager is not able to immediately and effectively address such maintenance issues on a timely basis, our tenants' operations may be disrupted, our tenants may withhold payments such as CUSA, the physical condition of our Properties may deteriorate and our Company may suffer reputational damage, each of which could materially and adversely affect our results of operations and financial condition.

In the ordinary course of business, we may receive complaints from our tenants relating to the facilities of the Properties or to the administration of their accounts. While we and our Property Manager will continue to endeavor to address such complaints and fulfill our tenants' requirements in a timely and effective manner, there is no assurance that all such complaints will be addressed in a timely manner or that if unaddressed that our tenants will decide to renew their leases, which may materially and adversely affect our results of operations and financial condition.

Rights relating to the relevant properties may also be restricted by legislative actions, such as revisions to the building standards laws or the city planning laws, or the enactment of new laws relating to condemnation and redevelopment.

We attempt to manage this by ensuring that tenants in the Properties receive continued and dedicated service, including high-quality asset management services, facilitating relocation or expansion of tenants according to operational requirements, rapidly responding to tenants' feedback and enquiries and addressing tenant concerns in a timely fashion. See "*Business and Properties—Key Strategies—Preserve tenant loyalty through enhanced, reliable and consistent service and support*" on page 134.

Delays or defaults in payment from our lessees and building tenants may affect our revenues.

Under the general terms of our lease agreements, our lessees and tenants for office properties are obligated to pay an advance rental deposit equivalent to three months' rental and an additional security deposit also equivalent to three months' rental upfront, and the regular lease payments are due in advance at the beginning of each month. Our lessees and tenants for retail and other properties are obligated to pay an advance rental deposit equivalent to one month's rental and an additional security deposit equivalent to six months' rental upfront, and the regular lease payments are due in advance at the beginning of each month. As income from our leases is fundamental to our operations, we rely to a great extent on the timely and full payment of rent from such parties. In particular, a significant portion of our current income from rentals is dependent on our 10 largest tenants (in terms of total GLA across the Portfolio). As of March 31, 2021, our 10 largest tenants (in terms of GLA across our Portfolio but excluding hotel tenants and related parties, our "**Top 10 Tenants**") accounted for 40.7% of our total Portfolio GLA and contributed almost 50.0% of Rental Income for the nine months ended March 31, 2021.

From time to time, there may be instances of delays in rental payments arising in the ordinary course of business, which under the terms of our standard lease terms are subject to interest and penalties equivalent to 2% and 3% per month, respectively, of any and all arrearages in the amounts to be paid, including, but not limited to, rent, CUSA and the reimbursement of the appropriate realty taxes, if applicable, computed from the date of delinquency until paid in full. Nevertheless, in the three years prior to the date of this REIT Plan, we and our predecessors-in-interest have not experienced any material defaults from the Properties' tenants on their rental payments. We believe that this is because we manage such risks by adopting arrears management procedures to ensure timely payment of rent, and by requiring deposits and advance rental. Nevertheless, there is no assurance that our lessees will not default on their payments, will pay their rent on time, or will not become insolvent or bankrupt in the future. The occurrence of any of the foregoing could negatively impact our income from rentals, which may adversely affect our business, financial condition, and results of operations. See "*Business and Properties—Marketing, Leasing and Maintenance Activities—Lease Agreements and Rental Rates*" on page 142 and "*Business and Properties—Marketing, Leasing and Maintenance Activities—Lease Management*" on page 143.

Tenant leases across our Portfolio are subject to the risk of non-renewal, non-replacement or early termination. Further, vacant properties could be difficult to lease and most of the Properties' leases are for

periods of between five and ten years and, which may expose such Properties to high rates of lease expiries in the future.

Leases with tenants across our Portfolio may expire and may not be renewed. For details of key terms of lease agreements see "*Business and Properties—Marketing, Leasing and Maintenance Activities—Lease Agreements and Rental Rates*." Our Property Manager may face delays in finding suitable tenants, which could also have an adverse impact on our revenues. Further, the rental rates of the Properties depend upon various factors, including but not limited to prevailing supply and demand conditions and we cannot assure you that the demand for our Properties will grow, or will remain stable, in the future. There is no assurance that the Property Manager will be able to procure new leases or renew existing leases at prevailing market rates. We also typically enter into pre-committed lease arrangements with potential tenants and any changes to or delay in execution or non-execution of the final lease agreements may adversely affect our business, cash flows and results of operations. As a result, if vacancies continue for a longer period of time than we expect or indefinitely, we may suffer reduced revenues, which may have a material adverse effect on our financial performance.

In addition, most of the lease contracts for office properties have an average term of five to ten years and for retail and other properties an average of two to five years, which may expose the Properties to high rates of lease expiration in the future. The concentration of leases with five to ten-year terms may expose our Company to certain risks in the future, including the risk that vacancies following renewal of leases may lead to reduced occupancy levels which will in turn reduce our Company's revenues. If a large number of tenants do not renew their leases in a year with a high rate of lease expiries, such would have a material adverse effect on the relevant Property and could affect our Company's total revenues.

We manage these risks by working with the Property Manager to maintain close communication and a good working relationship with the existing tenants and with the Fund Manager to manage lease renewals and new leases diligently in order to minimize gaps arising due to either lease expiries or early terminations, including through advance lease negotiations with tenants whose leases are about to expire, searching for potential tenants to take over expected vacancies. See "*Business and Properties—Marketing, Leasing and Maintenance Activities—Lease Agreements and Rental Rates*" on page 142 and "*Business and Properties—Marketing, Leasing and Maintenance Activities—Lease Management*" on page 143.

Damage to, or other potential losses involving, our assets and business may not be covered by insurance.

The Properties could suffer physical damage caused by fire, typhoons or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. For example, some of our Properties experienced flooding during the onslaught of Typhoon Ulysses, a powerful Category 4-equivalent typhoon that struck the Philippines in November 2020, which affected some of the premises used by our tenants. We maintain comprehensive property and liability insurance policies with coverage features and insured limits that we believe are consistent with market practice in the real estate industry in the Philippines. These include *Property All Risk Insurance*, *Business Interruption Cover*, *General Liability* and *Property Damage* coverage. Our comprehensive insurance policies include coverage for catastrophic perils including but not limited to typhoons, fire, flood and earthquake and cover against loss from property damage and business interruption based on declared values for each project and location and on probable maximum loss scenarios. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and industry practice. Consistent with what we believe to be customary practice in the Philippines, we do not carry any key-man insurance, or insurance covering potential environmental damage claims. Furthermore, tenants are prohibited from using the leased premises in any manner which will cause our Company's insurance policies to be rendered void and voidable, or whereby the premium due thereon may be increased. If as a result of any act, deed, matter or thing done or permitted by the tenants, the premium on any such insurance policy is increased, the tenants shall be liable for the amount of such increase.

While our Company requires tenants to obtain their own insurance, nonetheless, the scope of insurance coverage that we or our tenants can obtain, or our or their ability to obtain such coverage at commercially reasonable rates, may be limited. As such, certain types of losses, generally of an unforeseen or catastrophic nature, such as natural disasters, terrorist acts, the outbreak of infectious disease, or any resulting losses causing disruptions to our business operations, may be uninsurable, or the required insurance premiums may be too expensive to justify obtaining insurance. In the event of a substantial loss, the insurance coverage we carry may not cover our damages, or be sufficient to pay the full market value or the replacement cost of our lost investment. If we suffer any uninsured losses, damages, or liabilities in the course of our business operations, we may not have sufficient funds to cover any such losses, damages, or liabilities. Accordingly, we could lose some or all of the capital we have invested in our Properties, as well as the anticipated future revenue from the affected Property. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance, or which is not covered by our insurance policies, or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs, which could have a material adverse effect on our business, financial results of operations and condition. We manage these risks by endeavouring to keep the Properties in good working order, subject to high commercial standards (See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditure*" on page 104 and "*Business and Properties—Marketing, Leasing and Maintenance Activities—Maintenance*" on page 144) and by maintaining insurance consistent with industry standards ("*Business and Properties—Insurance*" on page 145).

The loss of the Properties' PEZA-accreditation or other similar benefits could result in the loss of tenants.

The Properties are Grade A office, hotel, retail and other buildings that are PEZA-accredited and/or located in PEZA-registered zones. If the PEZA-accreditation of the Properties is lost or revoked (whether by industry-wide regulations or failure to obtain consent of PEZA for the transfer of PEZA-accreditation in view of change of ownership of the buildings), the Company's tenants may find the Properties (or the Philippines in general) as a less desirable or less compelling venue or destination for the operations, and may decide not to renew their leases at the Properties. The loss of the Properties' PEZA-accreditation may have a material adverse effect on the Company's business, financial condition and results of operations. See also "*—Risks Relating to Our Operations —Our Company's Properties are covered by certain tax exemptions and incentives, the loss of which could increase our tax liability and decrease any net income in the future*."

To manage this risk, the Company, the Sponsor and the Property Manager intend to work together to ensure that the Company's licenses and permits are renewed on time, and that the Company complies with the terms and conditions of its licenses and permits. To this end, the Company and the Sponsor have taken steps to secure the consent of PEZA to the change of ownership of the buildings that are PEZA-accredited or located in PEZA zones.

Our Company may be unable to maintain sufficient operating cash for maintenance and other similar costs, and our operating cash may be insufficient to cover necessary costs.

Over the course of the useful life of the Properties, our Property Manager will maintain the Properties. Our Company endeavors to timely keep the Properties in good working order, subject to high commercial standards and acceptable to both our current and prospective tenants. Accordingly, our Company, through the Property Manager, may from time to time need to expend funds to complete routine maintenance, including maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades, as well as extraordinary maintenance, in the event of damage from weather disturbances such as typhoons, earthquake, or floods or from other unforeseen events. See also "*Our Company is exposed to general risks relating to ownership and operation of office and commercial real estate.*"

To manage risks arising from these funding needs, for the regular maintenance, upkeep of the buildings and other normal wear-and-tear, tenants of the Properties pay to us common use service area fee ("**CUSA**"). The capital expenditure projects are also funded through CUSA, after taking out the direct operating expenses in the regular maintenance and upkeep of the properties and equipment. Utilities expenses such as power and water are charged and billed directly by the utilities provider to the tenants.

For 2022, our Company plans to appropriate 1.5% of its Gross Revenue for capital expenditure, refurbishments and enhancements. Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change in circumstances and the actual amount of expenditures may vary from the planned amount of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As we continue to grow our portfolio, we may incur additional capital expenditures. See "*Profit Projection—Capital Expenditure*" on page 104 and "*Business and Properties—Marketing, Leasing and Maintenance Activities—Maintenance*" on page 144.

The Properties might be adversely affected if they require major maintenance and our Property Manager does not provide adequate maintenance services for the Properties.

Our Properties may, in the future, require substantial maintenance and upkeep or upgrades and refurbishment to keep current tenants, attract new tenants and prolong the useful life of the Properties. Such maintenance may include maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades. Under the Property Management

Agreement, the Property Manager is fully responsible for the formulation and implementation of policies and programs in respect of building management, maintenance, and improvement of the Properties for and on behalf of the Company. Therefore, if our Property Manager, or any other person appointed by our Property Manager to assist with managing the Properties fails to provide adequate and timely maintenance services for the Properties, the value of the Properties might be adversely affected and may also result in a loss of tenants, thereby adversely affecting our Company's financial condition and results of operations, and affecting the ability of our Company to make distributions regularly or at expected levels. In addition, if the Property Management Agreement is terminated and our Company is unable to obtain property management services from an alternative service provider in a timely manner or on competitive terms, our Company could face a substantial disruption in on-going or planned maintenance operations. See also "*Our Company is exposed to general risks relating to ownership and operation of office and commercial real estate.*"

In the event that our Property Manager is unable to provide the necessary services, our business, financial condition and results of operations could be adversely affected. See "*The Fund Manager and the Property Manager—Our Property Manager*" for the detailed discussion of our Property Manager's mandate in accordance with the REIT Law. To manage the foregoing risks, we intend to work together with the Property Manager to actively manage the Properties. Further, in the event that the Property Manager is unable to provide the necessary services to the Company, the Company has the ability to replace its Property Manager and procure other property management services.

Properties held by our Company may be subject to an increase in operating and other expenses.

Our Company's ability to make distributions to Shareholders could be adversely affected if operating and other expenses increase without a corresponding increase in revenues or tenant reimbursements of operating and other costs. Factors which could increase operating and other costs include increases in the rate of inflation; increases in payroll expenses and energy costs; increases in property taxes and other statutory charges; changes in statutory laws, regulations or government policy which increase the cost of compliance with such laws, regulations or policies; increases in sub-contracted service costs; increases in insurance premiums; and defects affecting the properties which need to be rectified, leading to unforeseen capital expenditure. We manage these risks by optimizing property operating expenses (See "*Business and Properties—Key Strategies—Leverage economies of scale to drive profitability*") on page 134 and closely monitoring and managing, through the Fund Manager, the Company's balance sheet and resources to optimize the overall returns for Shareholders while preserving the long-term financial health of the Company (See"*Business and Properties—Key Strategies—Prudent and focused management of capital and risk*" on page 135).

Our Company may be adversely affected by the illiquidity of real estate investments.

Real estate investments, particularly investments in high value properties such as commercial buildings, are relatively illiquid. Such illiquidity may affect our Company's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market, or other conditions. This could have an adverse effect on our Company's financial condition and results of operations, with a consequential adverse effect on our ability to make expected distributions to Shareholders. We manage this risk by closely monitoring and managing, through the Fund Manager, the Company's balance sheet and resources while preserving the long-term financial health of the Company (See "*Business and Properties—Key Strategies—Prudent and focused management of capital and risk*" on page 135) and by accessing the capital markets as appropriate, and assessing alternative forms of capital and other capital management strategies where appropriate (See "*Business and Properties—Investment Policy—Investment Limitations—Borrowing*" on page 137).

Our Company's Properties are covered by certain tax exemptions and incentives, the loss of which could increase our tax liability and decrease any net income in the future.

Our Company's Properties and tenants, benefit from certain tax incentives. All our 10 Properties are PEZA-registered and/or located in PEZA-registered zones. Qualified locator/developer enjoys a special 5% tax rate on gross income earned, in lieu of all national and local taxes (except real property taxes on machinery). Qualified tenants that locate within the PEZA-registered Properties are entitled to the following incentives pursuant to Republic Act No. 7916, as amended by Republic Act No. 8748, otherwise known as the Special Economic Zone Act of 1995: (a) Income Tax Holiday (ITH) for four years for non-pioneer IT enterprises, or six years for pioneer IT enterprises; (b) after the ITH period, the option to pay a special 5.0% tax rate on gross income earned, in lieu of all national and local taxes (except real property taxes on machinery); (c) exemption from payment of import duties and taxes on imported machinery and equipment and raw materials; (d) additional deduction equivalent to

50.0% of training expenses; (e) permanent resident status for foreign investors with initial investments of US$150,000.00 or more; (f) employment of non-resident aliens required in the operation of IT enterprises, and (g) other incentives as may be determined by PEZA. We informed the PEZA that the Sponsor has transferred the ownership of the Properties to MREIT, received their written acknowledgement covering seven of the Properties, and are waiting for their written acknowledgement for the remaining three Properties. If the Properties' or the tenants' tax exemptions or incentives related to PEZA-registered assets are revoked or repealed, the Properties' or the tenants' income from these sources will be subject to the regular corporate income tax rate, which is currently fixed at 25.0% of net taxable income, resulting in an increase in tax expense and reducing profitability and adversely affecting net income. A change in the tax rate to the 25.0% corporate income tax rate of our Company's Properties may make the currently competitive and sometimes lower rental rates unsustainable, requiring an increase in rental rates and, in the case of the tenants, may impact their ability to make their rental payments or to continue to locate at our Properties, which in turn could adversely affect our business and results of operations.

There is no assurance that our Company and/or its tenants will be able to sustain special tax rates and incentives or obtain similar tax incentives for future projects.

To address this, we monitor compliance by the Properties with all PEZA-accreditation requirements. See "The Fund Manager and the Property Manager—Our Property Manager" beginning on page 186.

Our Company does not own the land on which our ten Properties in the Portfolio are situated.

The Properties are situated on land owned by our Sponsor. Although we own the ten buildings, we lease the underlying land from our Sponsor pursuant to ten separate lease agreements for the land underlying each of the ten buildings.

On May 3, 2021, lease agreements were entered into between our Company and the Sponsor over the land on which the Properties stood for an aggregate period of 50 years, comprising an initial lease period of 25 years commencing on May 3, 2021, unless sooner terminated as provided in the lease agreements, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor. As consideration for the land leases, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[7] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. The rental amounts due to the Sponsor from our Company may be renegotiated for the renewal period. *See "—Risks Relating to Our Business—We are party to a number of related party transactions"* and *"—Risks Relating to Our Business—There may be direct competition between our Company and our Sponsor"*.

In the event of the termination or cancellation of any of the land leases, (a) our Company must immediately vacate the land and deliver to the Sponsor the full and vacant possession of the same; (b) the Sponsor may, at its sole option, cause the demolition or removal of our Property/ies without the necessity of a court order and charge our Company the cost of the same; (c) in case of cancellation, all deposits and other payments made by our Company shall be forfeited in favor of the Sponsor as damages for the Sponsor's lost business opportunities, and costs incurred by the Sponsor in entering into the contract; (d) a hold-over rate in the amount equivalent to 200.0% of the latest applicable rent paid during the immediately preceding term of the lease shall be paid to the Sponsor should our Company fail to surrender the land as required and continue to occupy it beyond the expiry or termination of the lease; and, (e) in addition to the Sponsor's right to eject our Company, the Sponsor is entitled to judicial costs and attorney's fees of 20.0% of the hold-over rate and/or lease rentals due which in no case can be less than ₱1.5 million. See "*Certain Agreements Relating to our Company and the Properties—Lease Agreements*."

Any substantial changes to the land lease contracts or our Sponsor's ownership or right over the leased land, as well as the cancellation or termination of the lease, may adversely affect our Company's financial condition and results of operations and ability to make distributions. Because our Sponsor, following the Offer, will remain as

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[7] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

the majority shareholder of the Company, we believe that the interests of both parties are generally aligned and this alignment helps mitigate the risk.

Our Company engages third-party brokers to lease its commercial and office properties and there can be no assurance that our Company's dealings or existing agreements with such third-party brokers will continue without disruption.

While the Company, through the Property Manager, has an in-house marketing and leasing sales team, it also markets and presents all its office and retail space for lease to third-party multinational brokerage firms and brokers such as Santos-Knight Frank, Inc., Jones Lang LaSalle, CB Richard Ellis, and Colliers International for the purpose of leasing such properties. The Company in particular relies on third-party multinational brokerage firms that are engaged as BPO / tenant representatives by multinational BPO firms. These third-party multinational brokerage firms typically have pre-existing tenant representative agreements with most multinational BPO firms and multinational headquarters through such brokerage firms' offices in Asia Pacific. Although such third-party multinational brokerage firms may have different teams which act as tenant representatives, such brokerage firms may also send requests for proposals ("RFPs") on behalf of the tenant they represent to other developers in the same markets in which the Company operates, and there can be no assurance that they will not favor the interests of their clients or such other developers over the interests of the Company in lease opportunities, or otherwise act in the best interests of the Company. Some of the Company's competitors engage, on an exclusive basis, different teams within the same multinational brokerage firms on a per project or building basis as landlord representative. If such third-party brokers engaged by the Company were to terminate or breach their brokerage agreements, the Company would be required to seek other external brokers, and there can be no assurance that the Company could do so quickly or in sufficient numbers. This could disrupt the Company's business and have a material adverse effect on its business, financial condition, and results of operations. To manage these risks, the Fund Manager actively manages our property portfolio to generate resilient and steadily growing gross revenues and net operating income, and seeks to optimize occupancy levels, maintains, and enhances asset quality to improve the attractiveness of the Properties, and develops and executes marketing strategies to promote the Properties, and optimizes tenant mix, rental rates, and policies in relation to industry and market standards. See "*Business and Properties—Key Strategies—Drive organic growth through proactive asset management and enhancement*," "*Business and Properties—Key Strategies—Preserve tenant loyalty through enhanced, reliable and consistent service and support*," and "*Business and Properties—Key Strategies— Optimize tenant-mix to maximize the desirability of the Properties*."

Our Company may not be successful in protecting its brand image or its interests in certain trademarks and domain names.

Our Company relies on the Sponsor's trademarks and brand image to establish and protect its business interests, and we believe that the Sponsor's trademarks and brand image are important to our Company's success and competitive position. Our Company relies on the strength of these trademarks and brand image to, among other things, attract tenants to the Properties, increase retail footfall, and attract third parties to partner with. Substantial erosion in the value of these trademarks and brand image due to construction delays or defects, building maintenance issues, customer complaints, adverse publicity, legal action, third party challenges or other factors may have an adverse effect on the Company's business, financial condition and results of operations.

To manage risks arising from the reliance on these trademarks, as of the date of this REIT Plan, our Sponsor has registration of trademarks of the McKinley Hill and Iloilo Business Park townships where most of the Properties are located, approved by the Philippine Intellectual Property Office. The Sponsor has granted our Company a non-exclusive and royalty-free right to use the McKinley Hill trademark and the Iloilo Business Park trademark for a period of 25 years commencing on June 1, 2021 until June 1, 2046.

Although there has been no registration of the trademark of the Eastwood Township, we believe that our Sponsor has sufficient protection over the "Megaworld" name, in particular, for long-term use and wide-spread recognition of the name in the market. There can be no assurance, however, that the actions Megaworld has taken will be adequate to prevent imitation by others or to prevent others from using the "Megaworld" name as a violation of its intellectual property rights. See "*Business and Properties—Intellectual Property*" on page 145.

Divestment by the Sponsor could inhibit the Company's growth.

Upon completion of the Offer, the Sponsor will continue to be a majority Shareholder in the Company, with a direct shareholding of at 62.1%, (assuming the Overallotment Option is fully exercised). If the Sponsor were to divest its ownership in the Company, the ability of the Company to grow would be affected because the relationship with our Sponsor provides the Company with access to other prime properties for potential acquisition and inclusion in its property portfolio. To manage this, the Company continues to maintain a close relationship with the Sponsor who intends to maintain ownership of at least a majority of the capital stock of the Company. In the unlikely event of divestment, the Company expects to be self-sufficient and would continue to pursue its investment strategies. See "*Business and Properties—Key Strategies—Consider appropriate real estate opportunities from sources aside from the Sponsor*" on page 135.

RISKS RELATING TO THE PHILIPPINES

All of our Company's business activities are conducted in the Philippines and all of its assets are located in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of the Philippine economy.

All of our Company's assets are located in the Philippines, and the Company derives all of its revenues and operating profits from the Philippines and its business is dependent on the state of the Philippine economy. Demand for the Company's services are directly related to the strength of the Philippine economy (including overall growth and income levels) and the overall levels of business activity in the Philippines.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of its currency and the imposition of exchange controls.

Other factors that may adversely affect the Philippine economy include:

- reduced business, industrial, manufacturing or financial activity in the Philippines or elsewhere in Southeast Asia;
- scarcity of credit or other financing available to the Government, corporations or individuals in the Philippines;
- fluctuations in currency exchange rates and interest rates or prolonged periods of inflation or deflation;
- levels of employment, consumer confidence and income;
- delays in obtaining government approvals and permits;
- Government budget deficits;
- public health epidemics or outbreaks of diseases, such as outbreak of COVID-19 in the Philippines or in other countries in Southeast Asia;
- significant changes to the Government's economic, social or tax policies; natural disasters, including tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea;
- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings; and
- other regulatory, political or economic developments in or affecting the Philippines.

Any deterioration in economic conditions in the Philippines as a result of these or other factors could materially and adversely affect the Company or its consumers, customers and contractual counterparties. This, in turn, could materially and adversely affect the Company's business, financial condition and results of operations and its ability to implement its business strategy.

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect our Company's business.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso depreciated from approximately ₱29.00 to US$1.00 in July 1997 to ₱56.18 to US$1.00 by December 2004. As of December 31, 2018, the Philippine Peso was at ₱52.72 per US$1.00 and appreciated to ₱48.04 per US$1.00 as of December 31, 2020, based on BSP data. As of September 9, 2021, the BSP rate was ₱50.14 = US$1.00.

In addition, fluctuations in the exchange rate between the Philippine Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Shares listed on the PSE. Such fluctuations will also affect the amount of foreign currency received from any sale of the Offer Shares, and the conversion of cash dividends or other distributions paid by the Company in Pesos.

Political instability in the Philippines could destabilize the country and may have a negative effect on our Company's business.

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that in times of national emergency, when the public interest so requires, the government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by the previous administration.

In June 2016, the Philippines elected a new chief executive, President Rodrigo Duterte. Since he assumed office, President Duterte's administration has demonstrated commitment in implementing fiscal, monetary and trade policies that are consistent with the pursuit of rapid, broad-based economic growth. Among others, the administration is embarking on progressive tax reform and an ambitious infrastructure development agenda. However, perceptions over human rights and geopolitical issues may affect the overall sentiment on the Philippines and the business environment. The 8-point agenda of the President Duterte administration has not been fully implemented, the focus being more oriented towards "war against drugs and corruption" in the country.

In May 2019, the Philippine legislative and local elections were held. Majority of the senatorial candidates endorsed by the administration won the 2019 elections. The senators elected in the 2019 elections will join the senators elected in the 2016 elections. There are allegations of fraud and voter disenfranchisement in the conduct of the 2019 elections.

The next national elections will be held in May 2022.

No assurance can be given that the political environment in the Philippines will remain stable. Any major deviation from the previously established policies or a fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any such instability could materially and adversely affect our Company's business, financial conditions, results of operations and prospects, reduce consumer demand or result in inconsistent or sudden changes in regulations and policies that affect our business operations, which could adversely affect our results of operations and financial condition.

The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including for our Company.

Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. In 2019, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P Global ("**S&P**"), to BBB+ with stable outlook, while Fitch Ratings ("**Fitch**"), and Moody's Investors Service ("**Moody's**"), affirmed the Philippines' long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. On February 28, 2020, Fitch revised its rating of Philippines long-term foreign currency-denominated debt to BBB, with a positive outlook, following its expectation that sound macroeconomic management will continue to support high growth rates with stable inflation while ongoing tax reforms were expected to improve fiscal finances. In May 2020, S&P and Moody's affirmed its rating of BBB+ and Baa2, with stable outlook, respectively, for the Philippines' long-term foreign currency-denominated debt. On May 7, 2020, Fitch affirmed its rating of Philippines long-term foreign currency-denominated debt to BBB, but revised the outlook to stable, to reflect the deterioration in the Philippines' near-term macroeconomic and fiscal outlook as a result of the impact of the COVID-19 pandemic and domestic lockdown to contain the spread of the virus. As of January 2021, this outlook has been reaffirmed by Fitch.

There is no assurance that Fitch, S&P, Moody's or any other international credit rating agency will not, in the future, downgrade the credit ratings of the Philippines, which will affect Philippine companies including our Company. Any such downgrade could have an adverse impact on the liquidity of the Philippine financial market, the ability of the Government and Philippine companies to raise additional financing, and the interest rates and other commercial terms at which such additional financing will be made available. Additionally, there can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Unforeseen economic shifts could lead to economic downturns, which may have an adverse effect on our business or our results of operations.

Acts of terrorism in the Philippines could lead to possible destabilization of the country which could adversely affect our business, financial condition and results of operation.

The Philippines has experienced a number of terrorist attacks since 2000. The Philippine military has been in conflict with the communist New People's Army, the Muslim separatist rebels and the Abu Sayyaf terrorist group, which is reported to have links with the Al-Qaeda terrorist network and which has been identified as being responsible for a number of kidnapping and terrorist activities in certain cities in the southern part of the Philippines.

The Armed Forces of the Philippines ("**AFP**") has clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front ("**MILF**"), the Moro National Liberation Front ("**MNLF**") and the New People's Army. These continued conflicts between the government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the country and adversely affect the country's economy.

No assurance can be given that the country will not be subject to further acts of terrorism in the future. The possibility of terrorist activities could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on our business, financial condition and results of operations.

Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition, and results of operations.

Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines. In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products outside a seven-kilometer radius control area surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus. In September 2019, the Department of Health confirmed that Polio re-emerged in the Philippines, nineteen years after the country was declared polio-free by the World Health Organization ("**WHO**") in 2000.

On January 30, 2020, the WHO declared the COVID-19 outbreak a Public Health Emergency of International Concern, and subsequently, with the continued increase in the number of confirmed cases throughout the world, a pandemic on March 11, 2020. In response to the pandemic, on March 13, 2020, the Philippine government placed Metro Manila under "community quarantine" starting on March 15, 2020, which, among others, restricted traveling through land, domestic air, and domestic sea from Metro Manila. On the second day of the implementation of the said community quarantine, the Philippine government declared a Luzon-wide "enhanced community quarantine" ("**ECQ**") to arrest the continuing effect of the disease. The enhanced community quarantine mandated the temporary closure of non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of Luzon, except for diplomats and uniformed workers (carrying medical supplies), among others. On April 7, 2020, the Philippine government extended the ECQ period until April 30, 2020, which was further extended to May 15, 2020. After the ECQ was lifted in certain areas, a modified ECQ ("**MECQ**"), general community quarantine, ("**GCQ**") or modified GCQ ("**MGCQ**") was implemented. The graduated lockdown schemes from ECQ, MECQ and GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations in the Philippines. The Government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. On March 27, 2021, following a spike in COVID-19 cases, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021. From April 12, 2021 to May 14, 2021, the quarantine classification for these areas were downgraded to MECQ. Thereafter, beginning May 15, 2021, the Government further reclassified the quarantine classification for the same regions to GCQ. On July 30, 2021, the Government again placed Metro Manila under ECQ from August 6, 2021 to August 20, 2021. On August 20, 2021, the Government downgraded Metro Manila to MECQ from August 21, 2021 to September 15, 2021. As of the date of this REIT Plan, Metro Manila is under MECQ.

If an outbreak bird flu, polio, COVID-19, or any other disease or public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect our Company's business, financial condition and results of operations. See "*—Risks Relating to Our Business—The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.*"

The proposed amendment of the Constitution, advocated by the Duterte Administration, has caused, and may continue to cause, political unrest which could adversely affect the Company's financial condition, results of operations, and cash flows.

Despite constitutional reform being a divisive issue in the Philippines, the Duterte Administration has considered it a legislative priority to amend the Philippine Constitution primarily to change the form of Philippine government from a unitary one to a federal one ("**Charter Change**"). The shift to a federal form of government was among President Duterte's key promises during his election campaign in 2016. President Duterte believes that the shift would promote peace most especially in conflict-torn Mindanao, curb poverty nationwide, and empower local government units in the Philippines.

The House of Representatives has already taken the initial steps toward the establishment of a Philippine federal structure of government. On January 16, 2018, the House of Representatives passed Joint Resolution No. 9, proposing that both the Senate and the House of Representatives transform into a *Constitutional Assembly* with the authority to amend the Constitution. On January 17, 2018, the subcommittee on constitutional amendments of the House of Representatives presented its proposed amendments to political provisions of the current Constitution, including the establishment of a *Federal Republic* divided into five states: Luzon, Metro Manila, Visayas, Bangsamoro, and Mindanao. Each state, under the said proposal, would have a unicameral state assembly with legislative powers and a premiere with executive powers. The subcommittee likewise proposed to establish a parliament with a 300-member Federal Assembly as national legislative department and a Senate as the regional legislative body. Meanwhile, the president would remain as head of state under the proposal and would have a term of five years with one re-election, whereas a prime minister would be constituted as the head of the Philippine government and would be elected by members of the Philippine parliament.

With respect to proposed amendments to economic provisions of the current Constitution, the House of Representatives subcommittee also proposed to delete certain provisions in the current Constitution providing foreign nationality restrictions, particularly in the following areas: exploitation, development and utilization of natural resources, ownership of alienable lands, franchise on public utilities, practice of profession, ownership of educational institutions, mass media, and advertising. Business groups in the Philippines believe that such amendments will enable the Government to achieve its goal of sustainable and inclusive economic growth, and that an increase in foreign investments would create more job opportunities for Filipinos.

The then Speaker of the House of Representatives Pantaleon Alvarez has posited that the House of Representatives alone may proceed to amend the Constitution even without the concurrence of the Senate, but senators insist that the lower house of Congress must wait for Senate concurrence to formally begin proposing amendments to the Constitution. The impasse between the two chambers has resulted in a crisis of government administration, causing conflicts among different political groups. In addition, while President Duterte has stated that he wishes to step down from office at the end of his six-year term in 2022, critics believe that Charter Change would pave the way for Duterte to perpetuate his political power and begin an authoritarian regime over the archipelago.

On May 13, 2019, the Philippines held its national elections for 12 seats in the Senate, all the seats in the House of Representatives, and numerous positions in local governments. There can be no assurance that the elected officials will continue to implement the economic, development, and regulatory policies of their predecessors, including those policies that may have an effect on the Company's assets and operations.

Due to the Company's business being subject to extensive regulation from the Government and dependence on economic stability, the potential for instability and unrest may have a material adverse effect on the Company and its financial condition, results of operations, and prospects.

Natural or other catastrophes, including severe weather conditions, may adversely affect our business, materially disrupt our operations, and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions and earthquakes. Significant calamities that hit the country were Typhoon Ondoy in 2009, Typhoon Yolanda in 2013, the Bohol and Cebu Earthquake in 2013, and the Cotabato and Batangas Earthquakes in 2019. On January 12, 2020, the Taal Volcano erupted causing ash falls and earthquakes in Southern Luzon, some parts of Central Luzon and Pangasinan in Ilocos Region, including Metro Manila. The Philippine Institute of Volcanology and Seismology ("**PHIVOLCS**") issued an Alert Level 4, which means a hazardous explosive eruption may happen at any given moment. The explosion resulted in the suspension of classes, work schedules, and flights. On January 26, 2020, PHIVOLCS downgraded the classification to Alert Level 3, which means a decreased tendency towards hazardous eruption. The danger zone was likewise reduced from a 14-kilometer radius from the volcano's main crater, to a 7-kilometer radius. On February 14, 2020, PHIVOLCS further downgraded the classification to Alert Level 2, which means that there was a decreased unrest of the Taal Volcano given the less frequent volcanic earthquake activity, stabilizing ground deformation and weak steam and gas emissions at the main crater. The Iloilo Business Park is 32.9 kilometers away from the West Panay Fault, while McKinley Hill Subdivision and Eastwood City are 500 meters and 140 meters away from the West Valley Fault Line, respectively. The Institute of Volcanology and Seismology has certified that Eastwood City, McKinley Hill, and Iloilo Business Park are located in areas with more than sufficient buffer zone against rupturing of the West Valley Fault Line and West Panay Fault Line. See "*Business and Properties—Overview*" on page 107.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt our businesses, financial condition and results of operations. These factors, which are not within our Company's control, could potentially have significant effects on the Company's Properties, many of which are large, complex buildings that are susceptible to structural damage and failure.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings.

In July 2016, the UNCLOS tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China's claim over the same area is invalid. Despite the decision, the Chinese Government has maintained its position that the Tribunal has no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese Government.

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defied a diplomatic protest and demand for the vessels to leave the area, issued by Philippine Defense Secretary Delfin Lorenzana.

Newly elected President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other South Asian nations.

Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, this may lead both countries to impose trade restrictions on the other's imports. The Philippines' interests in fishing, trade and offshore drilling, the volume of trade between the Philippines and China, and the supply of steel available to the Philippines may be adversely affected, which in turn may affect, among other things, real estate and infrastructure development and general economic and business conditions in the Philippines.

Investors may face difficulties enforcing judgments against our Company.

Our Company is organized under the laws of the Republic of the Philippines and our Company's assets are located in the Philippines. As a result, it may be difficult for investors to effect service of process outside of the Philippines upon the Company. Moreover, it may be difficult for investors to enforce judgments against the Company outside of the Philippines in any actions pertaining to the Shares. In addition, substantially all of the directors and officers of the Company are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons' judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations *Convention on the Recognition and Enforcement of Foreign Arbitral Awards*. Nevertheless, the Philippine *Rules of Civil Procedure* provide that a judgment or final order of a foreign court obtained against our Company is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines, (iv) the party against whom the enforcement is sought did not receive notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

The Philippine real estate industry is subject to extensive regulation from the Government, including local governmental authorities.

The Philippine real estate industry is subject to extensive government regulation. Our Company is also subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and wastewater discharges, odor emissions, and the management of, disposal of and exposure to hazardous materials. See "*Regulatory and Environmental Matters*." We must comply with the various requirements of the Government, including local governmental authorities in the areas in which our Properties are located, and the regulations of the Philippine Competition Commission.

In addition, we are required to maintain business licenses, permits and other authorizations, including those relating to certain construction activities for its operating Properties, and are also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards. Our licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If we fail to meet the terms and conditions of any of our licenses, permits or other authorizations necessary for our operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of properties, suspension of construction activities or other adverse consequences.

The Government influences the property sector by imposing industry policies and economic measures, including those that affect the classification of land available for property development, foreign exchange restrictions, property financing, taxation, acquisition and development, and foreign investment. Property laws and regulations, including relevant judicial decisions, are at times ambiguous and may be subject to inconsistent and contradictory interpretations. Further, such laws and regulations are constantly evolving and therefore consistent interpretations of such regulations are difficult to anticipate. New laws and regulations or modifications may also be passed, which would impose more stringent and complex requirements on us, thereby adversely affecting our business, financial condition, and results of operations.

In general, developers of real estate projects are required to submit project descriptions to regional offices of the Philippine Department of Environment and Natural Resources ("**DENR**"). For environmentally sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current environmental laws and regulations applicable to the Company will not increase the costs of operating its facilities above currently projected levels or require future capital expenditures. In addition, we cannot predict what environmental, health, safety or other legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. See "*Regulatory and Environmental Matters*." The introduction or inconsistent application of or changes in laws and regulations applicable to our business could have a material adverse effect on its business, financial condition and results of operations. In addition, delays or other possible complications in obtaining the required regulatory and environmental permits could have a material adverse effect on our business, financial condition and results of operations.

On August 8, 2015, Republic Act No. 10667, otherwise known as the Philippine Competition Act (the "**PCA**") became effective. The PCA prohibits and penalizes anti-competitive agreements and abuse of dominance. It likewise provides for mandatory notification for mergers and acquisitions meeting the set thresholds under the PCA and its Implementing Rules and Regulations. We expect that we will enter into transactions, mergers or acquisitions with our Sponsor and its Affiliates, which may meet the notification threshold under the PCA and its Implementing Rules and Regulations. The mandatory process of notification may delay the consummation of our Company's transactions. Notably, however, the Bayanihan to Recover as One Act (the "**Bayanihan 2 Act**") exempts mergers or acquisitions with transaction values below ₱50,000,000,000 from mandatory review for a period of two years from the effectivity of the Bayanihan 2 Act. Such transactions are likewise exempt from the PCC's motu proprio review for a period of one year from the effectivity of the Bayanihan 2 Act.

The implementation of Package 2 of the Comprehensive Tax Reform Program ("CTRP") may have a negative effect on BPO companies that comprise a significant percentage of our tenants.

On December 17, 2017, President Rodrigo Duterte signed into law Republic Act No. 10963 (the "**TRAIN Law**"), which was implemented beginning January 1, 2018. The TRAIN Law, which contains the first package of the CTRP, increased the excise tax on fuel and other petroleum products, the capital gains tax, and the stock transaction tax on sale of shares, among others. The second package of CTRP was formerly known as the Corporate Income Tax and Incentives Reform Act ("**CITIRA**") and is now referred to as the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**"). On November 26, 2020, the Senate approved CREATE on third and final reading through Senate Bill No. 1357. On February 3, 2021, CREATE was ratified by Congress, and on March 26, 2021, CREATE was signed into law. CREATE reforms corporate income tax rates and certain tax incentives such as income tax holidays currently being enjoyed by entities such as those registered with the PEZA. CREATE repeals several provisions of the Omnibus Investments Code, as amended, R.A. No. 7916, as amended (the "**Special Economic Zone Act of 1995**"), and the various statutes creating the special economic zones, such as Clark and Subic economic zones. CREATE provided the following sunset provisions for corporations registered with these investment promotion agencies:

- Those enjoying the income tax holiday (ITH) are allowed to continue the available incentive for the remaining period of the ITH as specified in the terms of their registration;

- Those granted ITH but have not yet availed of the incentive may use the ITH for the period as specified in the terms of their registration;

- Those granted ITH and are entitled to the 5.0% tax on gross income earned may be allowed to avail of the 5% tax provided the 5.0% tax shall be allowed only for 10 years; and

- Those availing of the 5.0% tax on gross income earned shall be allowed to continue to avail of the incentive for 10 years.

Therefore, BPO companies, which may be PEZA-registered information technology enterprises, will lose the benefit of the 5.0% special tax on gross income (which is imposed in lieu of all national and local taxes, except real property taxes on machineries) after 10 years and will instead be subjected to the corporate income tax rate of regular corporations. As a result, BPO companies may find it less feasible to conduct their business in the Philippines, and adversely affect the demand for Grade A buildings.

Changes under tax reforms that affect BPO companies may reduce the number of BPO companies interested in leasing space in the Philippines, including the Company's Properties. It may also prompt BPO companies that already lease space in the Company's buildings, to cease their operations and not renew their leases. Any of these events may have a material and adverse effect on the Company's business, results of operations and financial condition.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Company, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Company may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Company complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

Shares and the price of the Offer Shares may fall.

There has been no prior trading in the Shares and there can be no assurance that an active market for the Offer Shares will develop following the Offer Shares or, if developed, that such market will be sustained. Further, only three REITs have so far been listed on the PSE, and being listed recently on August 13, 2020, March 24, 2021 and August 12, 2021, such REITs have had a limited trading track record.

The Offer Price has been determined after taking into consideration a number of factors including, but not limited to, the Company's prospects, the market prices for shares of companies engaged in related businesses similar to that of the Company's business and prevailing market conditions. The price at which the Shares will trade on the PSE at any point in time after the Offer will depend on many factors, including but not limited to:

- volatility in stock market prices and volume;
- fluctuations in our revenue, cash flow, and earnings;
- perceived prospects of our Company's business and investments and the Philippines market for office and commercial assets;
- differences between our Company's actual financial and operating results and that expected by investors and analysts;
- changes in analysts' recommendations or projections;
- changes in general market, political, and economic conditions;
- the market value of our Company's assets;
- the perceived attractiveness of the Shares against those of other equity or debt securities, including those not in the real estate sector;
- the balance of buyers and sellers of the Shares;
- the size and liquidity of the Philippines REIT market from time to time;

- any changes from time to time to the regulatory system, including the tax system, both generally and specifically in relation to Philippines REITs;

- the ability on the Fund Manager's part to successfully implement its investment and growth strategies;

- broad fluctuations in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates, and weakness of the equity and debt markets; and

- general operational and business risks.

In addition, many of the risks described elsewhere in this REIT Plan could adversely affect the market price of our Shares. An increase in market interest rates may have an adverse impact on the market price of the Shares if the annual yield on the price paid for the Shares gives investors a lower return as compared to other investments.

In part as a result of recent global economic downturns, the global equity markets have historically experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these could adversely affect the market price of our Shares.

The Shares may be traded at a price that is significantly different from the Offer Price. The Shares are not capital-safe products, and there is no guarantee that investors can regain any investment losses in connection with their investments.

The actual performance of our Company and the Properties could differ materially from the forward-looking statements and forward-looking financial information in this REIT Plan.

This REIT Plan contains forward-looking statements and forward-looking financial information regarding, among others, forecast and projected dividend yields for Projection Period 2022 and Projection Period 2023. These forward-looking statements and forward-looking financial information are based on a number of assumptions which are subject to uncertainties and contingencies that are outside of our and our Fund Manager's control (see "*Forward-Looking Statements*" and "*Profit Projection – Assumptions.*"

Further, under the ten lease agreements between our Company and the Sponsor for the land underlying each of the Properties, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[8] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. The impact of such rent payment will be reflected in the financial projection for the fiscal year end June 30, 2024 as an increase in expenses. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations*" and "*Certain Agreements Relating to our Company and the Properties—Lease Agreements.*" As such, the profit forecast and dividend yield for the Projection Period 2022 and Projection Period 2023 presented in the "*Profit Projection*" section of this REIT Plan do not reflect such rental payments. No assurance can be given that actual dividends and dividend yields will be as forecasted in this REIT Plan or that future dividends and dividend yields will be maintained at the levels projected in this REIT Plan, or that any dividends will be distributed at all.

In addition, the commissioned industry report prepared by Leechiu Property Consultants, Inc. on the office real estate markets of Metro Manila and Iloilo City, for inclusion in this REIT Plan, reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is not necessary indicative of future economic and market conditions that would apply to our Company.

Our revenue and profit are dependent on a number of factors, including the receipt of rental income from the Properties and applicable laws and regulations. This may adversely affect our ability to achieve the forecast and projected dividends as events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not anticipated. In particular, the Projections do not factor in BIR's Revenue Regulations No. 9-2021 ("**RR 9-2021**") issued on June 9, 2021. The Company believes that the implementation of RR 9-2021 will

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8 First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

not have any material impact on its Projections. As published on July 29, 2021, citing "the continuing COVID-19 pandemic and its impact on the export industry", the BIR issued Revenue Regulations No. 15-2021 deferred the implementation of RR 9-2021 until the issuance of amendatory regulations. See "*—Risks Relating to the Company's Properties—The implementation of Package 2 of the Comprehensive Tax Reform Program ("CTRP") may have a negative effect on BPO companies that comprise a significant percentage of our tenants*." No assurance is given that the assumptions will be realised and the actual dividends will be as forecast and projected in the section entitled "*Profit Projection*" of this REIT Plan.

Property yield on real estate held by our Company is not equivalent to distribution yield on the Shares.

Generally, property yield depends on Net Operating Income and is calculated as the Gross Revenue less direct operating expenses of the Properties and any other property our Company may acquire. The dividend yield on our Shares, however, depends on the dividends payable on our Shares, after taking into account other expenses including but not limited to (i) taxes, (ii) the fees of our Fund Manager and Property Manager and (iii) other operating costs including administrative fees, as compared with the purchase price of our Shares paid by investors.

Our Company may not be able to make distributions and the level of distributions may fall.

The Net Operating Income earned from real estate investments depends, among other factors, on the amount of Rental Income received, and the level of property, operating, and other expenses incurred. If the Properties owned by our Company do not generate sufficient Net Operating Income, our income, cash flow, and ability to make distributions will be adversely affected. No assurance can be given as to our Company's ability to pay or maintain distributions. Neither is there any assurance that the level of distributions will increase over time, that we will continue to be able to negotiate contractual increases in rent under the leases of the Properties, that the increases in rent will not be lower than the inflation rate, or that the receipt of rental revenue in connection with expansion of the Properties or future acquisitions of properties will increase our Company's cash available for distribution to shareholders.

Our Company faces risks associated with compliance with the requirements to pay out its Distributable Income to Shareholders.

We are required by the REIT Law to distribute annually a total of at least 90.0% of its Distributable Income as dividends to its Shareholders. If the required pay out from our Company's Distributable Income is greater than its cash flow from operations, it may have to borrow in order to comply with the REIT Law. Should there be any change in tax law or policy which results in certain expenses of our Company ceasing to be adjustable, the impact may be to cause our Company's required pay out from the Distributable Income to exceed its cash flow from operations. If our Company fails to distribute dividends as required under the REIT Law, our Company may be subject to increased tax liability and potential tax penalties. The failure to cure such a breach within 30 days from the time of the occurrence of the event will subject our Company to income tax on its taxable net income as defined in Chapter IV, Title II of the Tax Code, as amended, instead of its taxable net income as defined in the REIT Law. As such, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. See "*Regulatory and Environmental Matters—Real Estate Laws—Taxation of REITs*" on page 231.

In addition, a violation of the REIT Law may obligate our Company to pay a fine or cause the imprisonment of the officers of our Company. Under the REIT Law, a fine of not less than ₱200,000 nor more than ₱5 million or imprisonment of not less than six years and one day nor more than 21 years, or both at the discretion of the court, shall be imposed upon any person, association, partnership or corporation, its officer, employee or agent, who acting alone or in connivance with others, violates any of the provisions of the REIT Law. If the offender is a corporation, partnership or association or other juridical entity, the penalty may, at the discretion of the court, be imposed upon such juridical entity and/or upon the officer or officers of the corporation, partnership, association or entity responsible for the violation, and if such officer is an alien, he shall in addition to the penalties prescribed, be deported without further proceedings after service of sentence. Such prosecution and conviction of the offender under the REIT Law and the imposition of the above penalties shall be without prejudice to the administrative, civil and criminal liabilities of the offender under the SRC.

Shareholders may bear the effects of tax adjustments on income distributed in prior periods.

Distributions will be based on our Company's Distributable Income. The taxable net income of our Company as initially computed for purposes of determining the amount to be distributed to Shareholders (the "**initial taxable**

net income") may, however, be different from the taxable net income as may be determined by the BIR (the "**adjusted taxable net income**"). The difference between the initial taxable net income and the adjusted taxable net income will be added to or subtracted from, as applicable, the taxable income available for distribution in subsequent periods to the Shareholders. Similarly, if our Company distributes gains on the sale of properties held by our Company and such gains are subsequently assessed for unpaid taxes, the Distributable Income for subsequent periods will be reduced for such unpaid taxes and the Shareholders in such subsequent distribution periods may receive reduced dividends. See "*Regulatory and Environmental Matters—Real Estate Laws—Taxation of REITs*" on page 231 and "*Philippine Taxation*" on page 260.

We cannot assure you that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Offer Settlement Date, which is expected to be on or about September 20, 2021 and on the Institutional Offer Settlement Date, which are expected to be on or about September 20, 2021. We cannot assure you that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders might not be able to trade the Offer Shares. This may adversely affect the value of the Offer Shares.

Future sales of Shares in the public market may adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, we will consider the funding options available to our Company at the time, which may include the issuance of new Shares. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of existing Shareholders may be reduced, Shareholders may experience subsequent dilution or such new securities may have rights, preferences, and privileges senior to those of the Offer Shares. Furthermore, the market price of the Shares may decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers, or issuances may occur. Sale of new securities could be made at a discount to the prevailing market price and/or net asset value of existing Shares, which may cause downward pressure on the market price of the Shares. Such development could also adversely affect the prevailing market price of the Shares or our ability to raise capital in the future on favorable terms.

Our Shares may be subject to Philippine foreign ownership limitations.

According to the REIT Law, if a REIT owns land located in the Philippines, it must comply with foreign ownership limitations imposed under Philippine law. In connection with the ownership of private land, Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

As of the date of this REIT Plan, our Company does not own land in the Philippines. Nevertheless, because our Articles of Incorporation authorizes our Company to acquire land, which may include land in the Philippines, foreign shareholdings in our Company may not exceed 40.0% of our total issued and outstanding capital stock. The Company will be unable to allow the issuance or transfer of the Company's Shares to persons other than Philippine Nationals, and will be unable to record transfers in the Company's books, if such issuance or transfer would result in the Company breaching 60.0% of our total issued and outstanding capital stock under Filipino ownership. If the Company's foreign ownership exceeds 40.0% of the Company's outstanding capital stock, foreign shareholders may be required to divest ownership or may be diluted to comply with the foreign ownership restrictions. For more information, please refer to the section entitled and "Regulatory and Environmental Matters – Nationality Restriction" in this REIT Plan.

The Offer Shares may not be a suitable investment for all investors.

Each potential investor in the Offer Shares must determine the suitability of that investment in light of his or her own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of our Company and its business, the merits and risks of investing in the Offer Shares, and the information contained in this REIT Plan;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on their overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;

- understand and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate, and other factors that may affect its investment and its ability to bear the applicable risks.

Shareholders may be subject to limitations on minority shareholders' rights and regulations may differ from those in more developed countries.

Our corporate affairs are governed by our Articles of Incorporation and By-Laws and the Corporation Code. The laws of the Philippines relating to the protection of interests of minority shareholders differ in some respects from those established under the laws of more developed countries. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of more developed countries. The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or the United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Corporation Code, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of our outstanding capital stock is required. The Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions are rarely brought on behalf of companies in the Philippines. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

RISKS RELATING TO THE PRESENTATION OF INFORMATION IN THIS REIT PLAN

The Combined Carve-out Financial Statements prepared for this REIT Plan may not necessarily represent our consolidated financial position, results of operation and cash flows.

The Combined Carve-out Financial Statements included in this REIT Plan have been prepared so as to present the financial position, results of operations and cash flows of our Properties on a combined historical basis for the years ended June 30, 2020, 2019, 2018 and 2017 and as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020, and do not necessarily represent our consolidated financial position, results of operations and cash flows had the Properties been acquired as of such dates and if we had been operated under a common management during the periods presented. There can be no assurance that our future performance will be consistent with the past financial performance included elsewhere in this REIT Plan.

For further details, see "*Selected Financial Information and Operating Information*" on page 67 and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 74.

The presentation of financial information, including of pro forma financial information, in this REIT Plan may be of limited use to investors and may not accurately show the Company's financial position or be indicative of future results.

This REIT Plan includes unaudited pro forma financial information to show what the significant effects on the historical financial information might have been had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements occurred at an earlier date. However, the unaudited pro-forma financial information is not necessarily indicative of the result of operations or related effects on the financial statements that would have been attained, had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements actually occurred at an earlier date nor do they purport to project the results of operations of the Company for any future period or date. The unaudited pro-forma financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in PFRS. The pro forma results of operations and financial position of the Company included herein are necessarily based on certain assumptions, and such information is not necessarily indicative of the operating results or financial position that would have been achieved had these transactions been completed prior to such periods, nor is it indicative of future results of operations or financial position, and should not be relied upon as being so indicative. See also "*—Risks Relating to Our Operations—We have no prior operating history as a REIT and may not be able to operate our business successfully or generate sufficient cash flows to make or sustain distributions. Further, the Combined Carve-out Financial Statements were prepared for this REIT Plan and may not necessarily represent our consolidated financial position, results of operation and cash flows*" on page 36.

The pro forma condensed financial information has been prepared on a cost basis except for investment properties which are accounted for under fair value method of accounting, with changes in fair value being recognized in profit or loss. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The fair value model of accounting for investment properties, should there be no losses from fair value changes, is expected to be beneficial to the investors, as it will allow the Company to declare higher dividends, and prevent the "trapped cash" brought by recording non-cash expenses like depreciation, which eventually reduces the retained earnings. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Fair Value Accounting for Investment Properties*" for more details on the impact of the change in accounting policy to the Company's financial statements.

Certain information contained herein is derived from unofficial publications.

Certain information in this REIT Plan relating to the Philippines, the industry in which we compete, and the market in which we operate, including statistics relating to market size, is derived from various Government and private publications. This REIT Plan also contains industry information prepared from available public sources and independent market research conducted by LPC to provide an overview of the real estate industry and office real estate markets in which we operate. The information contained in that section might not be consistent with other information regarding the Philippine real estate industry. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by us, the International Bookrunners, the Domestic Underwriters, or any of their respective Affiliates or advisers, and might not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. In particular, the section entitled "*Industry*" in this REIT Plan does not present the opinions of our Company, the International Bookrunners, the Domestic Underwriters, or any of their respective Affiliates.

USE OF PROCEEDS

The Selling Shareholder will receive all of the proceeds from the sale of the Offer Shares in the Offer. Our Company will not receive any proceeds from the Offer. Taxes and issue management, underwriting and selling fees and certain other fees and expenses pertaining to the Offer shall be chargeable against the proceeds from the sale of shares of the Selling Shareholder and none of it is chargeable against the Company.

The Selling Shareholder estimates that the net proceeds from the Offer of the Firm Shares after deducting expenses, will be approximately ₱13,045.80 million, and that the net proceeds from the Offer assuming full exercise of the Overallotment Option after deducting expenses, will be approximately ₱14,694.67 million, estimated as follows:

	Estimated Amounts (₱ millions)	
	Firm Shares	Firm Shares and Option Shares (assuming full exercise of Overallotment Option)
Estimated total proceeds from the offer of the Selling Shareholder's Shares	13,593.23	15,292.38
Estimated Expenses:		
Underwriter and selling fees[(1)]	305.85	344.08
Fees to be paid to the PSE Trading Participants[(2)]	27.19	27.19
Philippine SEC registration fees	6.93	7.78
PSE filing fee	39.60	39.60
Estimated other professional fees (including legal, accounting, industry consultant, stock transfer agent and receiving agent fees)	63.06	63.06
Estimated other expenses (including marketing, roadshow, printing costs and miscellaneous expenses)	3.00	3.00
Crossing charges[(3)]	20.26	21.26
Stock transaction tax	81.56	91.75
Total estimated expenses from the offer of the Selling Shareholder's Shares	547.43	597.71
Estimated net proceeds from the offer of the Selling Shareholder's Shares	13,045.80	14,694.67

Notes:

(1) The aggregate amount refers to the underwriting and selling fees payable to the International Bookrunners and Domestic Underwriters, including a base fee of 1.75% of the gross proceeds and a discretionary fee (payable at the sole discretion of the Selling Shareholder) of 0.50% of the gross proceeds and estimated applicable taxes. The estimated base fee payable to the International Bookrunners is ₱147.5 million, while the estimated base fee payable to the Domestic Underwriters is ₱90.4 million, in each case, subject to agreement between the Joint Global Coordinators and Joint Bookrunners on any clawback, clawforward or other such mechanism.

(2) Estimated selling agent fees are based on the assumption that the Eligible PSE Trading Participants take up the 20.0% tranche allocated to them in the Offer (fees are 1.0% of such take-up).

(3) Crossing charges refer to commissions, SCCP fees, Securities Investors Protection Fund, Philippine SEC fees, and block sale fees.

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this REIT Plan for convenience only.

Estimated other expenses include fees for roadshow expenses, publication, and other third-party services (e.g. stock transfer, receiving agency, LSI application processing fees, and printing, publication, and out-of-pocket expenses) that the Selling Shareholder expects to incur in relation to the Offer.

The entire proceeds from the Offer will be used by the Selling Shareholder in accordance with its reinvestment plan. In accordance with the REIT IRR, the proceeds from the Offer may be reinvested in income-generating assets in the Philippines within one year from the receipt thereof. Pending the use of such proceeds, the Selling Shareholder may invest the net proceeds in short-term liquid investments including but not limited to short-term government securities, bank deposits and money market placements which are expected to earn interest at prevailing market rates subject to compliance with and as permitted by the REIT Law. For a more detailed discussion on the use of net proceeds by the Selling Shareholder, see Annex 1 (*Reinvestment Plan*).

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Selling Shareholder's current plans and anticipated expenditures. In the event there is any change in the Selling Shareholder's reinvestment plan, including force majeure, market conditions and other circumstances, the Selling Shareholder will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is in the best interest of the Selling Shareholder. The Selling Shareholder's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Selling Shareholder's management may find it necessary or advisable to alter its plans.

In the event of any deviation, adjustment, or reallocation in the planned use of proceeds, we shall inform our Shareholders, the SEC, and the PSE in writing at least 30 calendar days before such deviation, adjustment, or reallocation is implemented. Any material or substantial adjustments to the use of proceeds from the Offer, as indicated above, should be approved by the Board and disclosed to the PSE. In addition, we shall submit via the PSE's Electronic Disclosure Generation Technology the following disclosure to ensure transparency in the use of proceeds:

(i) Any material disbursements made in connection with the planned use of proceeds from the Offer;

(ii) quarterly progress reports on the application of the proceeds from the Offer on or before the first 15 calendar days of the following quarter; the quarterly progress reports should be certified by our Company's Chief Finance Officer or Treasurer and external auditor;

(iii) an annual summary of the application of the proceeds from the Offer on or before January 31 of the following year; the annual summary report should be certified by our Company's Chief Finance Officer or Treasurer and external auditor; and

(iv) approval by the Board of any reallocation on the planned use of proceeds from the Offer. The actual disbursement or implementation of such reallocation must be disclosed by our Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds from the Offer in this REIT Plan, if any. The detailed explanation must state the approval of the Board as required in item (iv) above.

DIVIDENDS AND DIVIDEND POLICY

REIT LAW DISTRIBUTION REQUIREMENTS

The REIT Law provides that a REIT, to be entitled to the tax benefits under the REIT Law and to maintain its status as a public company, is directed to distribute annually a total of at least 90.0% of its distributable net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with generally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are reinvested in the REIT within one year from the date of the sale) ("Distributable Income") as dividends to its shareholders. Such distribution must be no later than the last working day of the fifth (5th) month following the close of the fiscal year of the REIT subject to the following, as provided under Section 7 of the REIT Law and Section 4 of the Revised REIT IRR:

(i) The dividends shall be payable only from the unrestricted retained earnings of the REIT as provided for under Section 42 of the Philippine Revised Corporation Code. However, the retained earnings of the REIT may only be restricted and not available for distribution under the circumstances enumerated under Section 42 of the Philippine Revised Corporation Code and when approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT; provided finally, once the purpose of the restriction is accomplished, the REIT shall immediately cancel the restriction and distribute the corresponding retained earnings upon majority vote of the members of the board of directors.

(ii) The percentage of dividends with respect to any class of stock to be received by the Public Shareholders, to the total dividends with respect to that class of stock distributed by the REIT from out of its Distributable Income must not be less than such percentage of their aggregate ownership of the total outstanding shares of the REIT with respect to that class of stock. Any structure, arrangement, or provision which would have the effect of diminishing or circumventing in any form this entitlement to dividends shall be void and of no force and effect.

(iii) The income distributable as dividend by the REIT shall be based on the audited financial statements for the recently completed fiscal year prior to the prescribed distribution. The audited financial statements of the REIT shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the REIT Law and the Revised REIT IRR. However, the audited financial statements shall not be required before the REIT can distribute quarterly and/or semi-annual dividends; provided, the REIT has reasonable grounds to believe that the maximum dividends that it may distribute in such fiscal year shall not be more than its Distributable Income based on its audited financial statements for such fiscal year, as provided above.

(iv) A REIT may declare either cash, property, or stock dividends; provided that, in addition to the requirements of the Philippine Revised Corporation Code, the declaration of stock dividends must be approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT and subject to approval of the Philippine SEC within five working days from receipt of the request for approval. If the Philippine SEC does not act on said request within such a period, the same shall be deemed approved.

(v) Distributable Income excludes proceeds from the sale of REIT's assets that are reinvested by the REIT within one year from the date of the sale. Gain from the said sale shall, however, form part of the distributable income.

The income distributable by the REIT shall be adjusted by deducting the following unrealized or non-actual gains and losses:

(i) Unrealized foreign exchange gains, except those attributable to cash and cash equivalents;

(ii) Fair value adjustment or the gains arising from marked-to-market valuation which are not yet realized;

(iii) If and when applicable, fair value adjustment of investment property resulting to gain;

(iv) The amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized;

(v) Adjustment due to a deviation from any of the prescribed accounting standard which results to gain; and

(vi) Other unrealized gains or adjustments to the income as a result of certain transactions accounted for under the PFRS.

Non-actual expenses/losses that are allowed to be added back to distributable income shall be limited to the following items:

(i) Depreciation on revaluation increment (after tax);

(ii) Adjustment due to any of the prescribed accounting standard which results to a loss; and

(iii) If and when applicable, loss on fair value adjustment of investment property (after tax).

RECORD DATE

Pursuant to existing Philippine SEC regulations, all cash dividends declared by listed companies must have a record date which shall not be less than 10 calendar days and not more than 30 calendar days from the date the cash dividends are declared. Under such rules, if no record date is specified, the record date will be deemed fixed at 15 calendar days from such declaration.

With respect to stock dividends, the record date shall be not less than 10 calendar days nor more than 30 calendar days from the date of shareholder approval. If no record date is set, under Philippine SEC rules, the record date will be deemed fixed at 15 calendar days from the date of the stock dividend declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the Philippine SEC.

Under the Revised Disclosure Rules of the PSE, the disclosure by a listed company of the record date for dividend declarations must not be less than 10 trading days from said date. The rules of the PSE also provide that the payment date shall not be more than 18 trading days from the record date.

OUR COMPANY'S DIVIDEND POLICY

As of the date of this REIT Plan, the Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders may be entitled to receive at least 90.0% of the Company's annual Distributable Income. The Company intends to declare and pay out dividends on a quarterly basis each year.

Our Company was incorporated on October 2, 2020, and until the completion of the Property-for-Share Swap on June 2, 2021, did not have any operations. Since its commencement of operations on June 2, 2021, the Company has not declared any dividends to its shareholders.

After the listing of our Company on the PSE, subject to the finalization and approval of its audited financial statements as of and for the fiscal year ended June 30, 2021, the Company intends to declare and distribute, by no later than October 30, 2021, dividends to all of its shareholders of all accumulated distributable retained earnings as of June 30, 2021, together with distributable earnings from its operations for the period from July 1, 2021 to September 30, 2021.

Following the Offer, the Company intends to maintain a quarterly cash dividend payout ratio of at least 90.0% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law and the Revised REIT IRR, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Revised Corporation Code, among others, the terms and conditions of the Company's outstanding loan facilities in the event the Company incurs indebtedness, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, when there is need for special reserve for probable contingencies. The Company intends to declare and pay out dividends on a quarterly basis each year.

The failure to distribute at least 90.0% of the annual Distributable Income will subject the Company, if such failure remains unremedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the Tax Code, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90.0% of the annual Distributable Income may be grounds to delist the Company from the PSE.

For the regular maintenance, upkeep of the buildings and other services, tenants of the Properties pay common use service area fee ("**CUSA**"). The capital expenditure projects are also funded through CUSA, after taking out the direct operating expenses in the regular maintenance and upkeep of the properties and equipment. Utilities expenses such as power and water are charged and billed directly by the utilities' provider to the tenants. In addition, our Company allocates 1.5% of our Gross Revenue for capital expenditure, refurbishments and enhancements.

EXCHANGE RATES

Fluctuations in the exchange rates between the peso and the U.S. dollar and other foreign currencies will affect the equivalent in U.S. dollars or other foreign currencies of the Peso price of the Offer Shares on the PSE, of dividends distributed in Pesos by the Company, if any, and of the Peso proceeds received by investors on a sale of the Offer Shares on the PSE, if any.

The following table sets forth certain information concerning the exchange rate (based on BSP's Reference Exchange Rate Bulletin) between the Peso and the U.S. dollar for the periods and dates indicated, expressed in Pesos per US$1.00 and rounded to the nearest centavo:

	Philippine Peso/U.S. dollar exchange rate			
Year	**Period end**	**Average**(1)	**High**(2)	**Low**(3)
2016	49.81	47.49	49.98	45.92
2017	49.92	50.40	51.80	49.40
2018	52.72	52.66	54.35	49.77
2019	50.74	51.80	52.89	50.49
2020	48.04	49.62	51.32	48.03
2021				
January	48.12	48.06	48.12	48.02
February	48.64	48.20	48.70	47.95
March	48.47	48.57	48.68	48.44
April	48.39	48.46	48.58	48.30
May	47.90	47.96	48.16	47.82
June	48.54	48.12	48.84	47.67
July	50.34	49.94	50.44	48.70

Notes:

(1) Average exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period

(2) Highest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period

(3) Lowest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period

On September 9, 2021, the BSP reference rate quoted on the BSP Reference Exchange Rate Bulletin was US$1.00 = ₱50.14.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at **₱16.10** per Offer Share. The Offer Price was determined through a book-building process and discussion among the Company, the Selling Shareholder, the Joint Global Coordinators and Joint Bookrunners. Since the shares have not been listed on any stock exchange, there has been no market price for the shares derived from day-to-day trading.

The factors considered in determining the Offer Price were, among others, our after-tax earnings, our ability to generate earnings and cash flows, our short and long-term prospects, the market value of the Properties and its net asset value, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer, the market price of comparable listed companies and the dividend yields of comparable listed REIT companies in the Philippines. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION

The following table sets forth our capitalization and indebtedness as of March 31, 2021, and as adjusted to give effect to (i) the REIT Formation Transactions; and (ii) the Offer. This table should be read in conjunction with our audited combined carve-out financial statements as of March 31, 2021 and notes thereto, included in the REIT Plan.

	As of March 31, 2021					
	Actual		As Adjusted After Giving Effect to the REIT Formation Transactions		As Further Adjusted After Giving Effect to the Offer	
	₱	US$ (1)	₱	US$ (1)	₱	US$ (1)
	(in millions)					
Total Debt(2)	0.0	0.0	0.0	0.0	0.0	0.0
Equity						
Capital stock	1,250.0	25.8	2,532.1	52.3	2,532.1	52.3
Additional Paid-in Capital	0.0	0.0	47,920.3	988.9	47,920.3	988.9
Retained earnings	(22.8)	(0.5)	(22.8)	(0.5)	(22.8)	(0.5)
Total Equity	1,227.2	25.3	50,429.7	1,040.6	50,429.7	1,040.6
Total Capitalization(3)	1,227.2	25.3	50,429.7	1,040.6	50,429.7	1,040.6

Notes:

(1) Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of March 31, 2021 of US$1.00 = ₱48.466.

(2) Total Debt is nil.

(3) Total capitalization is calculated as the sum of total indebtedness and total equity.

NET ASSET VALUE

The following table shows our computation of the Net Asset Value per share. The Net Asset Value is computed by reflecting the fair market values of total assets and investible funds held by our Company, less total liabilities. Net Asset Value per share shall be computed by dividing Net Asset Value by the total outstanding shares of our Company.

	As of March 31, 2021(1)	As giving effect to the REIT Formation Transactions and the Offer as of March 31, 2021
	(₱ millions, except number of shares and per share value)	
	(Audited)	**(Unaudited)**
Cash	-	1,240.0
Current trade receivables - net	-	71.9
Deferred input value added tax	0.0	0.0
Due from a related party	-	718.1
Prepayments and other current assets	-	20.6
Non-current trade receivables - net	-	235.2
Deposit for future acquisition of real properties	1,240.0	-
Investment properties	-	49,202.4(2)
Total Assets	**1,240.0**	**51,488.2**
Accrued expenses	12.6	12.6
Current deposits and other liabilities	-	265.2
Due to parent company	0.2	0.2
Non-current deposits and other liabilities	-	780.5
Total Liabilities	**12.8**	**1,058.6**
Net Asset Value	**1,227.2**	**50,429.7**
Issued and outstanding Common Shares	**1,250,000,000**	**2,532,121,381**
Net asset value per share	**₱0.98**	**₱19.92**

Notes:

(1) Figures are based on the pro-forma condensed financial information of the Company as of March 31, 2021.

(2) The pro forma condensed financial information included in "Selected Pro Forma Financial Information" was prepared on June 7, 2021. The aggregate appraised value of the investment properties as of March 31, 2021 is ₱49,316.0 million based on the Valuation Reports issued by SKF. Such reports were issued on June 14, 2021.

DILUTION

On a per Share basis, the Offer (as adjusted after giving effect to the REIT Formation Transactions) will not result in dilution as all Offer Shares are being offered by the Selling Shareholder. As of March 31, 2021, the net asset value per Share of the Company, after giving effect to the REIT Formation Transactions and the Offer, was ₱19.92, while the Offer Price is **₱16.10** per Share.

We believe that the difference between the net asset value per Share and the Offer Price would typically factor in non-quantifiable considerations in a stock as compared to peers or the market, such as the quality of assets and tenants, the primeness of the location, growth prospects, as well as the quality of management.

The following table sets forth the shareholdings, and percentage of Shares outstanding, of existing and new shareholders of the Company immediately after completion of the Offer assuming full exercise of the Overallotment Option:

	Number of Shares	**%**
Existing shareholders	1,582,283,881	62.5
New investors	**949,837,500**	**37.5**
Total	**2,532,121,381**	**100.0**

The following table sets forth the shareholdings, and percentage of Shares outstanding, of existing and new shareholders of the Company immediately after completion of the Offer assuming the Overallotment Option is not exercised:

	Number of Shares	**%**
Existing shareholders	1,687,821,381	66.7
New investors	**844,300,000**	**33.3**
Total	2,532,121,381	**100.0**

See "*Risk Factors—Risks Relating to the Offer and the Offer Shares—Future sales of Shares in the public market may adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings"* on page 54 of this REIT Plan.

SELECTED FINANCIAL INFORMATION AND OPERATING INFORMATION

The following tables present selected financial information and should be read in conjunction with the independent auditors' reports and our combined carved-out financial statements, including the notes thereto, included elsewhere in this REIT Plan, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected financial information as of and for the years ended June 30, 2020, 2019, 2018 and 2017 and for the nine months ended March 31, 2021 and 2020 were derived from our audited financial statements, which were prepared in accordance with PFRS and were audited by P&A Grant Thornton in accordance with the PSA.

The selected financial information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of March 31, 2021 of US$1.00 = ₱48.466.

STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended June 30,				
	2017	2018	2019	2020	2020
		₱ millions (Audited)			US$ millions (Unaudited)
Rental income	2,012.3	2,107.7	2,108.6	2,039.9	42.1
Cost of services	(336.3)	(344.9)	(346.3)	(347.4)	(7.2)
Gross profit	1,676.0	1,762.9	1,762.3	1,692.5	34.9
Other operating expenses	(77.2)	(54.8)	(65.4)	(77.9)	(1.6)
Operating profit	1,598.8	1,708.0	1,696.8	1,614.6	33.3
Interest expense	(22.3)	(23.8)	(24.8)	(28.0)	(0.6)
Profit before tax	1,576.5	1,684.3	1,672.1	1,586.6	32.7
Tax expense	(471.9)	(504.5)	(501.2)	(475.7)	(9.8)
Net profit	1,104.7	1,179.7	1,170.9	1,110.9	22.9
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**1,104.7**	**1,179.7**	**1,170.9**	**1,110.9**	**22.9**

	For the nine months ended March 31,		
	2020	2021	2021
	₱ millions (Audited)		US$ millions (Unaudited)
Rental income	1,495.9	1,587.1	32.7
Cost of services	(260.6)	(260.6)	(5.4)
Gross profit	1,235.4	1,326.5	27.4
Other operating expenses	(45.1)	(61.8)	(1.3)
Operating profit	1,190.2	1,264.7	26.1
Other income (charges) - Net			
Interest expense	(20.4)	(21.7)	(0.4)
Gain on reversal of allowance for impairment	-	13.2	0.3
	(20.4)	(8.5)	(0.2)
Profit before tax	1,169.8	1,256.2	25.9
Tax expense	(350.7)	(303.0)	(6.3)
Net profit	819.1	953.2	19.7
Other comprehensive income	-	-	-
Total comprehensive income	**819.1**	**953.2**	**19.7**

STATEMENTS OF FINANCIAL POSITION

	As of June 30,				
	2017	2018	2019	2020	2020
		₱ millions (Audited)			US$ millions (Unaudited)
Current assets					
Cash	0.5	0.5	0.5	0.5	0.0
Trade receivables - net	33.6	50.6	60.4	71.6	1.5
Prepayments and other current assets	13.9	15.4	16.5	16.5	0.3
Total current assets	48.0	66.5	77.4	88.5	1.8
Non-current assets					
Trade receivables - net	102.0	147.1	187.3	215.3	4.4
Investment properties - net	10,512.9	10,182.0	9,851.0	9,520.1	196.4
Total non-current assets	10,614.9	10,329.0	10,038.3	9,735.3	200.9
Total assets	**10,662.9**	**10,395.5**	**10,115.8**	**9,823.9**	**202.7**
Current liabilities					
Deposits and other current liabilities	131.5	210.4	267.8	329.3	6.8
Income tax payable	347.4	385.9	390.2	371.6	7.7
Total current liabilities	478.9	596.3	658.0	700.9	14.5
Non-current liabilities					
Deposits and other liabilities	820.4	741.8	701.0	741.7	15.3
Deferred tax liabilities - net	31.9	50.2	59.5	66.0	1.4
Total non-current liabilities	852.3	791.9	760.5	807.8	16.7
Total liabilities	**1,331.2**	**1,388.2**	**1,418.5**	**1,508.7**	**31.1**
					0.0
Equity					
Invested equity	9,331.7	9,007.4	8,697.3	8,315.2	171.6
Total liabilities and equity	**10,662.9**	**10,395.5**	**10,115.8**	**9,823.9**	**202.7**

	As of June 30,	As of March 31,	
	2020	2021	2021
	₱ millions (Audited)		US$ millions (Unaudited)
Current assets			
Cash	0.5	0.5	0.0
Trade receivables - net	71.6	71.9	1.5
Prepayments and other current assets	16.5	20.6	0.4
Total current assets	88.5	93.0	1.9
Non-current assets			
Trade receivables - net	215.3	235.2	4.9
Investment properties - net	9,520.1	9,271.9	191.3
Total non-current assets	9,735.3	9,507.1	196.2
Total assets	**9,823.9**	**9,600.0**	**198.1**
Current liabilities			
Deposits and other current liabilities	329.3	283.8	5.9
Income tax payable	371.6	227.5	4.7
Total current liabilities	700.9	511.3	10.5
Non-current liabilities			
Deposits and other liabilities	741.7	754.5	15.6
Deferred tax liabilities - net	66.0	63.8	1.3
Total non-current liabilities	807.8	818.2	16.9
Total liabilities	**1,508.7**	**1,329.5**	**27.4**
Equity			
Invested equity	8,315.2	8,270.5	170.6
Total liabilities and equity	**9,823.9**	**9,600.0**	**198.1**

STATEMENTS OF CASH FLOWS INFORMATION

	For the year ended June 30,				
	2017	2018	2019	2020	2020
	₱ millions (Audited)				US$ millions (Unaudited)
Cash flows from operating activities					
Net cash flows from operating activities	2,613.2	1,504.1	1,481.0	1,493.0	30.8
Cash flows from an investing activity					
Payments for addition to investment properties	40.7	-	-	-	-
Cash flows from a financing activity					
Distributions of invested equity..................	(2,572.1)	(1,504.1)	(1,481.0)	(1,493.0)	(30.8)
Net increase in cash.................................	**0.5**	**-**	**-**	**-**	**-**
Cash at beginning of year	**-**	**0.5**	**0.5**	**0.5**	**0.0**
Cash at end of year..................................	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**

	For the nine months ended March 31,		
	2020	2021	2021
	₱ millions (Audited)		US$ millions (Unaudited)
Cash flows from operating activities			
Net cash flows from operating activities ...	1,015.8	997.8	20.6
Cash flows from an investing activity			
Payments for addition to investment properties..	(1,015.8)	(997.8)	(20.6)
Cash flows from a financing activity			
Distributions of invested equity................			
Net increase in cash................................	-	-	-
Cash at beginning of year	**0.5**	**0.5**	**0.0**
Cash at end of year.................................	**0.5**	**0.5**	**0.0**

SELECTED OPERATING AND FINANCIAL INFORMATION

	As of or for the year ended June 30,				
Key Financial Figures and Ratios	**2017**	**2018**	**2019**	**2020**	**2020**
	₱ millions				**US$ millions**
Rental Income (in ₱ millions)..........................	2,012.3	2,107.7	2,108.6	2,039.9	42.1
Current Assets (in ₱ millions)..........................	48.0	66.5	77.4	88.5	1.8
Current Liabilities (in ₱ millions)...................	478.9	596.3	658.0	700.9	14.5
Current Ratio[(1)]..	**0.10**	**0.11**	**0.12**	**0.13**	**0.13**
Total Liabilities (in ₱ millions)	**1,331.2**	**1,388.2**	**1,418.5**	**1,508.7**	**31.1**
Total Equity (in ₱ millions)..........................	**9,331.7**	**9,007.4**	**8,697.3**	**8,315.2**	**171.6**
Liabilities to Equity Ratio [(2)]........................	**0.14**	**0.15**	**0.16**	**0.18**	**0.18**
Net Profit (in ₱ millions)	1,104.7	1,179.7	1,170.9	1,110.9	22.9
Return on Equity[(3)].......................................	**0.11**	**0.13**	**0.13**	**0.13**	**0.13**
Total Assets (in ₱ millions)	10,662.9	10,395.5	10,115.8	9,823.9	202.7
Asset to Equity Ratio[(4)]................................	**1.14**	**1.15**	**1.16**	**1.18**	**1.18**

Notes:

(1) *Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our Company's ability to pay short-term obligations.*

(2) *Liabilities to equity ratio is derived by dividing interest-bearing liabilities (short-term debt and long-term debt) by total equity. The liabilities to equity ratio measures the degree of our financial leverage.*

(3) *Return on equity is derived by dividing net profit by average total equity.*

(4) *Asset to equity ratio is derived by dividing total assets by total equity. The asset to equity ratio measures our Company's financial leverage and long-term solvency.*

Key Financial Figures and Ratios

	For the nine months ended March 31, 2020	As of and for the nine months ended March 31, 2021	As of and for the nine months ended March 31, 2021
	₱ millions		**US$ millions**
Rental Income (in ₱ millions)	1,495.9	1,587.1	32.7
Current Assets (in ₱ millions)	N/A	93.0	1.9
Current Liabilities (in ₱ millions)	N/A	511.3	10.5
Current Ratio(1)	**N/A**	**0.18**	**0.18**
Total Liabilities (in ₱ millions)	**N/A**	**1,329.5**	**27.4**
Total Equity (in ₱ millions)	**N/A**	**8,270.5**	**170.6**
Liabilities to Equity Ratio (2)	**N/A**	**0.16**	**0.16**
Net Profit (in ₱ millions)	819.1	953.2	19.7
Return on Equity(3)	**N/A**	**0.11**	**0.11**
Total Assets (in ₱ millions)	N/A	9,600.0	198.1
Asset to Equity Ratio(4)	**N/A**	**1.16**	**1.16**

Notes:

(1) *Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our Company's ability to pay short-term obligations.*

(2) *Liabilities to equity ratio is derived by dividing interest-bearing liabilities (short-term debt and long-term debt) by total equity. The liabilities to equity ratio measures the degree of our financial leverage.*

(3) *Return on equity is derived by dividing net profit by average total equity.*

(4) *Asset to equity ratio is derived by dividing total assets by total equity. The asset to equity ratio measures our Company's financial leverage and long-term solvency.*

SELECTED PRO FORMA FINANCIAL INFORMATION

*The following tables present summary pro forma financial information for MREIT and has been prepared solely for the inclusion in the REIT Plan. The selected pro forma financial information should be read in conjunction with the audited interim financial statements of the Company as at and for the three months ended March 31, 2020 and the audited Combined Carve-out Financial Statements. The unaudited pro forma information has been prepared in accordance with Section 9, Part II of the Revised Philippine Securities Regulation Code Rule 68, as amended ("**SRC Rule 68**").*

The unaudited pro-forma financial information has been prepared on a cost basis except for investment properties which are accounted for under fair value method of accounting. The Company carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances.

The objective of this pro-forma financial information is to show what the significant effects on the historical financial information might have been had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements occurred at an earlier date. However, the unaudited pro-forma financial information is not necessarily indicative of the result of operations or related effects on the financial statements that would have been attained, had the REIT Formation Transactions and the transactions described in Note 2 of the Pro Forma Financial Statements actually occurred at an earlier date nor do they purport to project the results of operations of the Company for any future period or date. The unaudited pro-forma financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in PFRS.

The pro-forma information has not been prepared in accordance with the requirements of Article 11 of the Recognition S-X under the U.S. Exchange Act.

P&A Grant Thornton has conducted its assurance engagement in accordance with Philippine Standard on Assurance Engagements (PSAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Auditing and Assurance Standards Council. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the pro forma condensed financial information on the basis of the applicable criteria described in Note 2 to the pro forma condensed financial information. For purposes of this engagement, P&A Grant Thornton is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma condensed financial information nor has it, in the course of this engagement, separately performed an audit or review of the interim financial information used in compiling the pro forma condensed financial information.

PRO-FORMA CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the year ended June 30, 2020	For the nine months ended March 31, 2021	
	(Unaudited)	(Unaudited)	(Unaudited)
	₱ millions, except per share value	₱ millions, except per share value	US$ millions, except per share value
Revenues			
Rental income	2,039.9	1,587.1	32.7
Income from dues – Net[1]	126.4	98.0	2.0
	2,166.3	1,685.1	34.7
Cost of services	(131.6)	(102.6)	(2.1)
Gross profit	2,034.7	1,582.4	32.6
Other operating expenses	(90.0)	(75.7)	(1.6)
Operating profit (loss)	1,944.7	1,506.7	31.0
Other income (charges) - Net			
Fair value gains (losses) on investment properties	(2,393.4)	2,101.1	43.4
Interest expense	(28.0)	(21.7)	(0.4)
	(2,421.4)	2,079.4	43.0
Profit (loss) before tax	(476.7)	3,586.0	74.0
Tax expense	143.3	(319.3)	(6.6)
Net profit (loss)	(333.4)	3,266.8	67.4
Other comprehensive income	-	-	-
Total comprehensive income (loss)	**(333.4)**	**3,266.8**	**67.4**
Basic and diluted earnings (loss) per share	**(₱0.13)**	**₱1.29**	**US$0.03**

Note: (1) While Income from Dues has not been included in our historical financial statements or in our Combined Carve-out Financial Statements, it will form part of our Gross Revenue in the future.

PRO-FORMA CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As of March 31, 2021	
	(Unaudited)	
	₱ millions	US$ millions
Current assets		
Cash	1,240.0	25.6
Trade receivables - net	71.9	1.5
Deferred input value added tax	0.0	0.0
Due from a related party	718.1	14.8
Prepayments and other current assets	20.6	0.4
Total current assets	2,050.6	42.3
Non-current assets		
Trade receivables - net	235.2	4.9
Deposit from future acquisition of real properties	-	-
Investment properties	49,202.4	1,015.2
Total non-current assets	49,437.6	1,020.0
Total assets	**51,488.2**	**1,062.4**
Current liabilities		
Accrued expenses	12.6	0.3
Deposits and other liabilities	265.2	5.5
Due to parent company	0.2	0.0
Total current liabilities	278.0	5.7
Non-current liabilities		
Deposits and other liabilities	780.5	16.1
Total liabilities	**1,058.6**	**21.8**
Equity		
Capital stock	2,532.1	52.2
Additional paid-in capital	47,920.3	988.7
Retained earnings (deficit)	(22.8)	(0.5)
Total equity	**50,429.7**	**1,040.5**
Total liabilities and equity	51,488.2	1,062.4

PRO-FORMA CONDENSED INTERIM STATEMENT OF CASH FLOWS

	For the year ended June 30, 2020	For the nine months ended March 31, 2021	
	(Unaudited)	(Unaudited)	(Unaudited)
	₱ millions	₱ millions	US$ millions
Cash flows from operating activities			
Net cash flows from operating activities	1,811.1	1,286.5	26.5
Cash flows from an investing activity			
Deposit made for future acquisition of real properties	-	-	-
Cash flows from a financing activity			
Proceeds from issuance of shares	1,250.0	1,240.0	25.6
Other pro forma adjustments	**(1,821.1)**	**(1,286.5)**	**(26.5)**
Net increase in cash	**1,240.0**	**1,240.0**	**25.6**
Cash at beginning of period	**-**	**-**	**-**
Cash at end of period	**1,240.0**	**1,240.0**	**25.6**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Prospective investors should read this discussion and analysis of our financial condition and results of operations in conjunction the section entitled "Selected Financial and Operating Information" and with the audited combined carve-out financial statements as of and for the years ended June 30, 2020, 2019, 2018 and 2017, and the audited combined carve-out interim financial statements as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020 (collectively, the "***Combined Carve-out Financial Statements***"), in each case, including the notes relating thereto, included elsewhere in this REIT Plan. Our Combined Carve-out Financial Statements were prepared in compliance with PFRS. Unless otherwise stated, the financial information of our Company used in this section has been derived from the Combined Carve-out Financial Statements included elsewhere in this REIT Plan.*

The Combined Carve-out Financial Statements have been prepared by separating the historical financial information pertaining to the Properties subject to the Property-for-Share Swap out of the Sponsor's audited financial statements in accordance with PFRS. On May 9, 2021, our Company filed an application with the Philippine SEC for the approval of the Property-for-Share Swap. The Philippine SEC approved the Property-for-Share Swap on June 1, 2021. PFRS does not provide specific guidance for the preparation of combined carve-out financial statements and there can be no assurance that our future performance will be consistent with the past financial information presented in the Combined Carve-out Financial Statements. See "Risk Factors—Risks Relating to the Presentation of Information in this REIT Plan—The Combined Carve-out Financial Statements prepared for this REIT Plan may not necessarily represent our consolidated financial position, results of operation and cash flows."

*This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "*Risk Factors*" on page 27 and elsewhere in this REIT Plan. See "*Forward-Looking Statements*" on page xvi of this REIT Plan.*

The translation of Peso amounts into U.S. dollars as of and for the period ended March 31, 2021 is provided for convenience only and is unaudited. For readers' convenience only, amounts in Pesos as of and for the year ended March 31, 2021 were converted to U.S. dollars using the BSP Reference Rate quoted on in the BSP's Reference Exchange Rate Bulletin on March 31, 2021 of ₱48.466 = US$1.00. As of September 9, 2021, the Peso was at ₱50.136 against the U.S. dollar.

OVERVIEW

MREIT, a company designated by our Sponsor to operate as a REIT, leases to a diversified tenant base a high quality portfolio (the "**Portfolio**") of 10 office, hotel, retail and other assets (the "**Properties**" and each, a "**Property**") across the Philippines with an aggregate GLA of 224,430.8 sqm as of March 31, 2021. Our Portfolio consists of commercial spaces primarily leased for office purposes, which may also be used and leased for retail purposes as required.

The principal investment mandate and strategy of MREIT is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Through our Fund Manager, our Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a Competitive Investment Return to our investors. See "*Business and Properties—Investment Policy*."

In contemplation of the Offer and in compliance with applicable regulatory requirements of the Philippine SEC for companies seeking registration of their securities, we entered into and implemented the REIT Formation Transactions as follows: On May 3, 2021, a Deed of Exchange of Property for Shares (the "**May 3, 2021 Deed**") was entered into between our Company and the Sponsor whereby, subject to the Philippine SEC's confirmation of the valuation of the Properties and issuance by the BIR of the Certificate Authorizing Registration ("**CAR**"), the Sponsor transferred, assigned and conveyed absolutely in favor of our Company all of its rights, title and interest in the Properties, free from liabilities, debts, liens and encumbrances, in consideration of our Company's issuance to the Sponsor of 1,282,120,381 common shares with a par value of One Peso (₱1.00) per share and Additional Paid In Capital ("**APIC**") of ₱47,920,287,239.00 (the "**Property-for-Share Swap**"). On even date, lease agreements over the lands on which the Properties stand were entered into by our Company and the Sponsor. On May 19, 2021, in furtherance of the transfer, assignment and conveyance in favor of our Company of all of the Sponsor's rights, title and interests in the Properties in exchange for our Company's common shares, our Company and the Sponsor entered into a Deed of Assignment of Leases assigning all of Sponsor's rights and interests in and to the lease agreements over portions of the Properties leased out to various entities effective upon the issuance of our Company's common shares in the name of the Sponsor under the May 3, 2021 Deed. On June 1, 2021, the Philippine SEC issued its confirmation of the valuation of the Properties. The CARs were issued by the Revenue District Officers of Iloilo City, Quezon City and Taguig City for the Properties which led to the issuance of the Tax Declarations for the Properties in the name of our Company. The Properties were swapped for 1,282,120,381 common shares of our Company, the stock certificate for which was issued on June 2, 2021. Although MREIT had no operations prior to the Property-for-Share Swap, it was designated by our Sponsor to operate as a REIT, leasing Properties to a diversified tenant base.

Our initial Portfolio comprising the 10 Properties with an aggregate GLA of 224,430.8 sqm as of March 31, 2021 and with an aggregate appraised value of ₱49,316.0 million (US$1,017.5 million) based on the Valuation Report issued by SKF are located in central business districts ("**CBDs**") across Metro Manila, primarily in Taguig City and Quezon City, and in the Iloilo City outside of Metro Manila.

The table below provides details of each Property as indicated. All of the Properties were developed by our Sponsor, Megaworld Corporation. All of the Properties are owned by our Company and stand on land leased from the Sponsor for an aggregate period of 50 years.[9] As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[10] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. The impact of such rent payment will be reflected in the financial projection for the fiscal year ending June 30, 2024 as an increase in expenses. As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years.

All Properties are PEZA-registered and/or located in PEZA-registered zones. In spite of the community quarantine imposed by the Government due to the coronavirus pandemic, the Properties enjoy pre-COVID-19 occupancy levels due largely to the sustained operations of the BPO office tenants. Our Properties have enjoyed consistently high occupancy rates thus earning stable rental revenues. Our Portfolio has a weighted average lease expiry ("**WALE**") of 4.7 years (by GLA) as of March 31, 2021.

	Year Completed	**Registration/ Certification**	**Office Grade(1)**	**GLA (sqm)**	**% of Total Portfolio GLA**	**Appraised Value (₱ million)(2)**
One World Square	2007	PEZA-registered Zone	A	30,481.7	13.6%	8,018.0
Two World Square	2009	PEZA-registered Zone	A	21,286.4	9.5%	5,501.0
Three World Square	2010	PEZA-registered Zone	A	21,216.6	9.5%	5,190.0
8/10 Upper McKinley Building	2009	PEZA-registered Zone	A	19,937.5	8.9%	4,660.0
18/20 Upper McKinley Building	2009	PEZA-registered Zone	A	19,413.8	8.7%	4,337.0
1880 Eastwood Avenue	2007	PEZA	A	33,743.8	15.0%	6,790.0
1800 Eastwood Avenue	2006	PEZA	A	34,738.2	15.5%	7,706.0
E-Commerce Plaza	2008	PEZA	A	20,940.2	9.3%	4,279.0
Richmonde						
Richmonde Tower	2016	PEZA-registered Zone	A	6,354.8	2.8%	866.0
Richmonde Hotel Iloilo	2016	PEZA-registered Zone	A	6,769.1	3.0%	799.0
One Techno Place Iloilo	2017	PEZA-registered Zone	A	9,548.7	4.3%	1,170.0

[9] The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

[10] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

Total	**224,430.8**	**100.0%**	**49,316.0**

Notes:
(1) According to LPC, Grade A office buildings boast of high-quality interior designs and exterior finishing and are centrally located in major business districts. Grade A buildings typically feature floor plates of not less than 1,000 sqm. Grade A buildings also feature a good tenant mix and profile.
(2) As of March 31, 2021. See Annex 3 (Valuation Reports) appended to this REIT Plan.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by various factors. Set out below is a discussion of what we believe would be the most significant factors affecting results of operations. Factors other than those discussed below could also have a significant impact on our results of operations and financial condition in the future. See "—*Basis of Preparation of the Combined Carve-out Financial Statements*."

As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[11] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. The impact of such rent payment will be reflected in the financial projection for the fiscal year ending June 30, 2024 as an increase in expenses.

Fast-growing BPO sector

Our leasing operations are driven mainly by the fast-growing BPO sector, which is vulnerable to global economic changes. As one of the fastest growing sectors in the Philippine real estate industry, the BPO sector drives office space demand, which fuels the performance and profitability of our Properties. In addition, demand for our Properties is affected by the relative cost of rents as compared to those owned by competitors, by the supply of available office space in competing central business districts in Taguig City and Quezon City, by the quality of, and facilities offered by, our Properties, and by the number of corporates and BPO companies that are willing to locate where our office properties are situated.

According to the "Office Market Research Report" dated June 10, 2021 issued by LPC attached to this REIT Plan as Annex 4 (*Office Market Research Report*), the full year 2020 office vacancy rate for Metro Manila is estimated to be at 8.0%, while current 1Q 2021 vacancies have risen to 11%. This rise in vacancies due to the exit of POGO tenants have been tempered by the sustained demand coming from the IT-BPM and E-commerce sectors wherein such sectors comprise 47.0% of current absorption. Total demand for the whole sector is already up 22.5% in 1Q 2021 compared to 4Q 2020.

Work-from-home ("**WFH**") arrangements was seen as a move to ensure business continuity as well as to keep employee attrition at a minimum. Offering WFH arrangements also allowed BPOs to effectively compete in terms of attracting and recruiting qualified applicants. This will move a portion of the workforce outside of the office, but will not have a significant impact on office demand in the long term according to LPC. Issues such as the current rotating black outs due to lack of power supply, data security, unstable internet connectivity, and difficult work-home arrangements are already bringing back employees to the office. In addition, the applicability of PEZA benefits to a WFH arrangement is seen to expire by September of 2021, and this may influence the decision of companies to bring back employees in order to continue enjoying PEZA benefits.

Globally, IT-BPM companies have also been observed to grow in terms of revenues despite the pandemic. Expansion has been the result of cost cutting measures by client companies through outsourcing. The country has experienced this demand especially outside of Metro Manila in areas with available PEZA spaces and substantial population of qualified talent.

Occupancy rates and lease expiries

The success of our business depends on our ability to maintain high occupancy across the Portfolio. Our Occupancy Rate across the Portfolio as of March 31, 2021 was 93.2%. Occupancy Rates largely depend on the

[11] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

attractiveness of the markets where the Properties are located, rents relative to competing properties, the supply of and demand for comparable properties, the facilities and amenities offered, current building conditions, the ability to minimize the intervals between lease expiries (or terminations) and our ability to enter into new leases (including commitments to lease for those properties where leases are expiring).

We believe that our strategically located assets in our major townships, both in Metro Manila (Eastwood City and McKinley Hill) and in the province (Iloilo Business Park) allow us to maintain high levels of occupancy. In addition, we believe that we enjoy greater credibility with our tenants as a result of the reputation, scale of operations and the amenities and infrastructure that our Sponsor has historically provided which generally allows our assets to be viewed as premium properties, thereby enhancing their appeal to tenants, and has resulted in high occupancy rates.

Rental rates and escalations

Our rental revenues primarily comprise income from rentals payments. Accordingly, our revenue from operations is directly affected by the rental rates of the Properties. The rental rates are affected by various factors, including:

- prevailing economic, income and demographic conditions in the market where the Property is located, including as a result of extraordinary events such as the COVID-19 pandemic;
- the amenities and facilities provided;
- the cost of upkeep and maintenance of the properties;
- the nature of the property (i.e., standard offices space or built-to-suit);
- changes in applicable regulatory and government regulations; and
- competition from other projects and assets in the vicinity.

Further, our existing lease agreements typically have built-in rent escalations, which has led to growth in revenues in prior years and we expect it will help us generate stable and predictable growth in our revenue from operations. Our leases typically have contractual escalations in the range of 5.0% to 10.0% every year.

For 2021, three office tenants, occupying a combined GLA of 8,235.3 sqm, have requested for, and have been granted, waivers of escalation rates as a result of the COVID-19 pandemic.

Future acquisitions

The Company plans to achieve portfolio growth through the acquisition of quality income-producing properties that fit within the Company's investment strategy to enhance total return for Shareholders and increase potential opportunities for future income and capital growth. In executing this strategy, MREIT will endeavor to acquire properties situated in high-growth areas to cater to economic growth. The principal investment mandate and strategy of MREIT is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Additionally, the Sponsor and our Company have entered into a Memorandum of Understanding on our Company's acquisition of certain assets from the Sponsor within 24 months from the Listing Date. See "*Certain Agreements Relating to our Company and the Properties—Memorandum of Understanding on Four Growth Assets*".

Our acquisition strategy may require a significant amount of working capital and long-term funding. Our ability to acquire properties will depend on our ability to secure financing on commercially viable terms, which will in part be affected by the prevailing interest rates at the time of acquisition.

Competition

We operate in a highly competitive industry. Our future growth and development is dependent, in large part, on the availability of large tracts of office and commercial assets suitable for acquisition, development or lease. As we and our competitors compete for such assets, it may become more difficult to find suitable properties in locations and at prices acceptable to us, particularly in Metro Manila, CBDs and other key urban areas. To the extent that we are unable to grow our portfolio at acceptable prices, our growth prospects could be limited and our business and results of operations could be adversely affected.

Our Company faces significant competition in the office leasing market in Metro Manila and Iloilo City. The Company believes that it competes with companies in the office leasing industry such as Ayala Land Inc. and its REIT Subsidiary, Robinsons Land Corporation and its REIT Subsidiary, Filinvest Land Inc. and its REIT Subsidiary, and Double Dragon Properties Corporation and its REIT Subsidiary. LPC estimates that the office supply in Metro Manila is expected to grow by 3.5 million sqm from 2021 to 2028, and that office supply in Iloilo City is expected to grow by 36,700 sqm from 2021 to 2025.

A number of other office and commercial center developers and real estate services companies, some with greater financial and other resources than us, compete with our Company in various aspects. Competition from other real estate developers and real estate services companies may adversely affect our ability to grow our portfolio, or attract and retain tenants, and continued development by these and other market participants could result in saturation of the market for office spaces.

The income from, and market value of, the Properties will be largely dependent on the ability of the Properties to compete against other commercial properties in the area in attracting and retaining tenants. Important factors that affect the ability of retail office properties to attract or retain tenants include the attractiveness and condition of the building and the surrounding area to prospective tenants and their customers or clients, the quality of the building's existing tenants, the quality of the building's property manager, supply of comparable space, changing needs of business users, and PEZA registration. Attracting and retaining tenants often involves re-fitting, repairing, or making improvements to mechanical, electrical, and technical systems and outward appearance.

The age, construction quality, building condition and design of a particular property may affect the occupancy level as well as the rent that may be charged. The effects of poor construction quality will increase over time in the form of increased maintenance and capital improvements needed to maintain the property. Even well-built or well-designed properties will deteriorate or become obsolete over time if the property manager does not schedule and perform adequate maintenance and building upgrades in a timely fashion.

We compete on the basis of the strategic locations of our buildings, including their proximity to the malls and residences as part of its mixed-use developments and accessibility to public transportation. We believe that our established reputation for good quality, ease of doing business, and completing projects on time makes our Company one of the most preferred choices of the BPO industry as well as local and multinational companies. We are committed to providing an excellent customer experience.

If competing properties of a similar type are built in there as where the Properties are located or similar in the vicinity of the Properties are substantially updated and refurbished, the value of and Gross Revenue generated by the Properties could be reduced.

Economic conditions impacting the Philippines and the industry sectors of our tenants

All of our Properties are located in the Philippines and, as a result, our operations are significantly affected, and will continue to be significantly affected, by macroeconomic conditions in the Philippines. The demand for the lease of our Properties are directly related to the strength of the Philippine economy, including overall growth levels and the amount of business activity in the Philippines, the completion of the transport infrastructure projects for improved access, and the general political stability and security situation in the Philippines.

Our results of operations depend in part on the performance of the commercial real estate market in the Philippines, and in the CBDs and key cities where the Properties are located, which in turn depends on various factors such as economic and other market conditions, demographic trends, employment levels, availability of financing, prevailing interest rates, competition, bargaining power of tenants, operating costs, government regulations and policies, and market sentiment. In addition, a significant number of our tenants are in the BPO sector and our office leasing operations performance and growth will be affected by the business conditions of our tenants in the BPO sector.

Regulatory Environment

We are subject to and rely on a number of Government regulations and initiatives affecting the BPO industry and leasing segment, in general. For example, all of our 10 Properties are PEZA-registered and/or located in PEZA-registered zones, and most of our tenants enjoy preferential tax rates as a result of the Government's thrust to spur the growth of the BPO industry through PEZA registration incentives. We are also subject to other laws and regulations including the National Building Code, environmental regulations, and regulatory requirements prescribed by PEZA, amendments or breaches of which could lead to higher costs or expenses.

BASIS OF PREPARATION OF THE COMBINED CARVE-OUT FINANCIAL STATEMENTS

The Combined Carve-out Financial Statements are prepared on the basis of the assumption that all the Properties subject of the Property-for-Share Swap were part of MREIT for such period prior to the Property-for-Share Swap. The Combined Carve-out Financial Statements have been prepared to provide the historical financial position and performance and cash flows of the Properties as at and for the years ended by separating the historical financial information pertaining to the Properties subject of the Property-for-Share Swap out of the Sponsor's audited financial statements in accordance with PFRS. All significant transactions between the Company and the Sponsor have been included in the Combined Carve-out Financial Statements. The statutory financial information of the MREIT, as a separate legal entity, is different from the financial information of the Properties which is the subject to the accompanying Combined Carve-out Financial Statements. As such, the Combined Carve-out Financial Statements may not be representative of the financial position of MREIT for future periods.

The accompanying combined carve-out financial statements of the Properties have been prepared for inclusion in the REIT Plan for submission to the SEC.

PFRSs do not include specific guidance for preparation of combined and carved out financial statements. See Note 2.1 of the Combined Carve-out Financial Statements elsewhere in this REIT Plan for further details on the principles used in the preparation of the combined and carved out financial statements of the Properties.

Based on management judgment, our Company can prepare Combined Carve-out Financial Statements because the assets to be combined are ultimately under common control by Megaworld during the periods presented and the Combined Carve-out Financial Statements will provide the historical combined financial position and performance and cash flows of the combining assets which are intended to be used by a wide range of users, including potential investors in MREIT, Megaworld's stockholders and the public, who cannot otherwise obtain the financial information through other means.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS AND ASSUMPTIONS

Our financial information is prepared in conformity with PFRS. Significant accounting policies are those that are both (i) relevant to the presentation of our financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex.

In order to provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified our significant accounting policies in Note 2 of our Combined Carve-out Financial Statements, included elsewhere in this REIT Plan.

While we believe that all aspects of our financial statements, including the accounting policies discussed in our Combined Carve-out Financial Statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe that the significant accounting judgments, estimates and assumptions discussed in Note 3 to our Combined Carve-out Financial Statements warrant particular attention.

The main items subject to significant accounting judgments by management include, among others:

- determination of expected credit losses on trade receivables
- distinction among investment properties and owner-occupied properties
- distinction between operating and finance leases (as a lessor); and
- recognition of provisions and contingencies

The main items subject to key assumptions and estimates by management include, among others:

- fair value measurement of investment properties
- determination of realizable amount of deferred tax asset
- estimation of impairment loss on trade receivables; and
- impairment of non-financial assets

FAIR VALUE AND ACCOUNTING FOR INVESTMENT PROPERTIES

The Combined Carve-out Financial Statements included in this REIT Plan have been prepared using the historical cost basis. After the Offering and upon approval as a REIT Company, our Company will adopt the fair value model as an accounting policy in measuring its investment properties using the fair value model, subject to the evaluation of its management together with the Fund Manager. For this purpose, fair value can be defined as the price that would be realized in the sale of an asset or payment for the transfer of a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of investment property, the Company shall ensure that the fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions.

The fair value model of accounting for investment properties, should there be no losses from fair value changes, is expected to be beneficial to the investors, as it will allow the Company to declare higher dividends since there is no recognition of depreciation and amortization expenses which reduces retained earnings. The effects of adopting the fair value model are reflected in our Pro Forma Financial Statements as of and for the year ended June 30, 2020 and as of and or the three months ended March 31, 2021, attached to this REIT Plan.

DESCRIPTION OF KEY LINE ITEMS

Our results of operations with respect to the years ended June 30, 2017, 2018, 2019 and 2020 are based on, and should be read in conjunction with, our Combined Carve-out Financial Statements and related notes included elsewhere in this REIT Plan.

Revenue

Rental Income

The Company leases its commercial and office real estate properties to others through operating leases. Rental income consists of rental income on leased office, retail, hotel and parking properties and is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Costs and Expenses

Costs and expenses comprise cost of services, other operating expenses, and interest expense. Costs and expenses are recognized in the combined carve-out statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the combined carve-out statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or

- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the combined carve-out statement of financial position as an asset.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred. All finance costs are reported in profit or loss on an accrual basis.

Costs of Services

Cost of services consists of depreciation of investment properties and real property tax. Cost of services and other operating expenses are recognized as they are incurred. Investment properties are properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Properties. Investment Properties, except for land, are carried at cost less accumulated depreciation and any impairment in value.

Other Operating Expenses

Other operating expenses consist of taxes and licenses, impairment losses, salaries and employee benefits, commission expense, rent expenses, association dues, utilities, transportation and miscellaneous expenses.

Interest Expense

Interest expense pertains to the accretion of interest expense from security deposits. Tenants under new leases, tenants who are renewing leases, and tenants with leases that have escalation rates pay new or a proportionate increase in security deposits.

Tax Expense

Provision for income tax consists of the current provision of income tax, representing regular corporate income tax, and deferred tax assets (liabilities).

RESULTS OF OPERATIONS

The discussion of Results of Operations is based on the audited Combined Carve-out Financial Statements in respect of the Properties.

Other than as discussed below, we believe that there are no other material elements of income or loss arising from our operations.

Nine months ended March 31, 2021 compared to nine months ended March 31, 2020

	(Audited)			
	For the nine months ended March 31,			
	2020	**2021**	**2021**	**% Change**
	(in millions of ₱)		(US$ in millions)	
Rental income.............................	1,495.9	1,587.1	32.7	6.1%
Cost of services...........................	(260.6)	(260.6)	(5.4)	0.0%
Gross profit	1,235.4	1,326.5	27.4	7.4%
Other operating expenses............	(45.1)	(61.8)	(1.3)	37.0%
Operating profit..........................	1,190.2	1,264.7	26.1	6.3%
Other income (charges)				
Interest expense	(20.4)	(21.7)	(0.4)	6.4%
Gain on reversal of allowance for impairment.............................	0.0	13.2	0.3	-
	(20.4)	(8.5)	(0.2)	-58.3%
Profit before tax	1,169.8	1,256.2	25.9	7.4%
Tax expense	(350.7)	(303.0)	(6.3)	-13.6%
Net profit	819.1	953.2	19.7	16.4%

Rental income

Rental income increased by 6.1% to ₱1,587.1 million in the nine months ended March 31, 2021 (US$32.7 million) from ₱1,495.9 million in the nine months ended March 31, 2020 as a result of rental escalations and higher renewal rates.

Cost of services

Cost of services remained at ₱260.6 million (US$5.4 million) in the nine months ended March 31, 2021 and in the nine months ended March 31, 2020. This comprises mainly depreciation and real property tax.

Other operating expenses

Other operating expenses grew by 37.0% to ₱61.8 million in the nine months ended March 31, 2021 (US$1.3 million) from ₱45.1 million in the nine months ended March 31, 2020 mainly due to higher taxes and licenses and commission expenses incurred during the period.

Interest expense

Interest expense grew by 6.4% to ₱21.7 million in the nine months ended March 31, 2021 (US$0.4 million) from ₱20.4 million in the nine months ended March 31, 2020 due to accretion of interest from security deposits.

Gain on reversal of allowance for impairment

Gain on reversal of allowance for impairment grew to ₱13.2 million in the nine months ended March 31, 2021 (US$0.3 million) from nil in the nine months ended March 31, 2020 as the estimated credit losses (ECL) rate applied during the period is lower than what was applied for the months ended March 31, 2020.

Other income (charges)

As a result of the foregoing, other charges decreased by 58.3% to ₱8.5 million in the nine months ended March 31, 2021 (US$0.2 million) from ₱20.4 million in the nine months ended March 31, 2020.

Profit before tax

As a result of the foregoing, profit before tax increased by 7.4% to ₱1,256.2 million in the nine months ended March 31, 2021 (US$25.9 million) from ₱1,169.8 million in the nine months ended March 31, 2020.

Tax expense

Tax expense decreased by 13.6% to ₱303.0 million in the nine months ended March 31, 2021 (US$6.3 million) from ₱350.7 million in the nine months ended March 31, 2020, primarily due to lower tax rate following the implementation of CREATE Law starting July 1, 2020.

Net profit

As a result of the foregoing, net profit increased by 16.4% to ₱953.2 million (US$19.7 million) in the nine months ended March 31, 2021 from ₱819.1 million in the nine months ended March 31, 2020.

Year ended June 30, 2020 compared to year ended June 30, 2019

	(Audited) For the years ended June 30,			
	2019	**2020**	**2020**	**% Change**
	(in millions of ₱)		(US$ in millions)	
Rental income	2,108.6	2,039.9	42.1	-3.3%
Cost of services	(346.3)	(347.4)	(7.2)	0.3%
Gross profit	1,762.3	1,692.5	34.9	-4.0%
Other operating expenses	(65.4)	(77.9)	(1.6)	19.1%

	(Audited) For the years ended June 30,			
	2019	2020	2020	% Change
	(in millions of ₱)		(US$ in millions)	
Operating profit	1,696.8	1,614.6	33.3	-4.8%
Interest expense	(24.8)	(28.0)	(0.6)	12.9%
Profit before tax	1,672.1	1,586.6	32.7	-5.1%
Tax expense	(501.2)	(475.7)	(9.8)	-5.1%
Net profit	1,170.9	1,110.9	22.9	-5.1%

Rental income

Rental income decreased by 3.3% to ₱2,039.9 million in 2020 (US$42.1 million) from ₱2,108.6 million in 2019 primarily because of temporary closure of commercial spaces, rent concessions and lower foot traffic upon reopening resulting from pandemic related concerns.

Cost of services

Cost of services increased by 0.3% to ₱347.4 million in 2020 (US$7.2 million) from ₱346.3 million in 2019 due to higher real property tax incurred during the year for Iloilo properties.

Other operating expenses

Other operating expenses grew by 19.1% to ₱77.9 million in 2020 (US$1.6 million) from ₱65.4 million in 2019 mainly due to higher impairment losses on trade receivables recognized during the year. Increase in other operating expenses was also tempered by lower commission expense and associated dues in 2020.

Interest expense

Interest expense grew by 12.9% to ₱28.0 million in 2020 (US$0.6 million) from ₱24.8 million in 2019 directly proportional to the increase in security deposit due to new tenants, renewals, and escalation.

Profit before tax

As a result of the foregoing, profit before tax decreased by 5.1% to ₱1,586.6 million in 2020 (US$32.7 million) from ₱1,672.1 million in 2019.

Tax expense

Tax expense decreased by 5.1% to ₱475.7 million in 2020 (US$9.8 million) from ₱501.2 million in 2019, primarily due to lower taxable income.

Net profit

As a result of the foregoing, net profit decreased by 5.1% to ₱1,110.9 million (US$22.9 million) in 2020 from ₱1,170.9 million in 2019.

Year ended June 30, 2019 compared to year ended June 30, 2018

	(Audited) For the years ended June 30,			
	2018	2019	2019	% Change
	(in millions of ₱)		(US$ in millions)	
Rental income	2,107.7	2,108.6	43.5	0.0%
Cost of services	(344.9)	(346.3)	(7.1)	0.4%
Gross profit	1,762.9	1,762.3	36.4	0.0%
Other operating expenses	(54.8)	(65.4)	(1.3)	19.3%

	(Audited) For the years ended June 30,			
	2018	2019	2019	% Change
	(in millions of ₱)		(US$ in millions)	
Operating profit..........................	1,708.0	1,696.8	35.0	-0.7%
Interest expense	(23.8)	(24.8)	(0.5)	4.2%
Profit before tax..........................	1,684.3	1,672.1	34.5	-0.7%
Tax expense................................	(504.5)	(501.2)	(10.3)	-0.7%
Net profit.....................................	1,179.7	1,170.9	24.2	-0.7%

Rental income

Rental income amounted to ₱2,108.6 million in 2019 (US$43.5 million), flat yield from ₱2,107.7 million in 2018 due to decrease in occupancy rate in 2019.

Cost of services

Cost and expenses slightly increased by 0.4% to ₱346.3 million in 2019 (US$7.1 million) from ₱344.9 million in 2018 primarily because of a minimal increase in real property tax in assessed value.

Other operating expenses

Other operating expenses grew by 19.3% to ₱65.4 million in 2019 (US$1.3 million) from ₱54.8 million in 2018 mainly due to higher taxes and licenses, commission and association dues incurred during the year. Increase in other operating expenses was tempered by lower impairment loss on trade receivables in 2019.

Interest expense

Interest expense grew by 4.2% to ₱24.8 million in 2019 (US$0.5 million) from ₱23.8 million in 2018 directly proportional to the increase in security deposit due to increase in number of tenants, renewals and escalation rates.

Profit before tax

As a result of the foregoing, profit before tax decreased by 0.7% to ₱1,672.1 million in 2019 (US$34.5 million) from ₱1,684.3 million in 2018.

Tax expense

Tax expense decreased by 0.7% to ₱501.2 million in 2019 (US$10.3 million) from ₱504.5 million in 2018, primarily due to lower taxable income.

Net profit

As a result of the foregoing, net profit decreased by 0.7% to ₱1,170.9 million (US$24.2 million) in 2019 from ₱1,179.7 million in 2018.

Year ended June 30, 2018 compared to year ended June 30, 2017

	(Audited) For the years ended June 30,			
	2017	2018	2018	% Change
	(in millions of ₱)		(US$ in millions)	
Rental income.............................	2,012.3	2,107.7	43.5	4.7%
Cost of services...........................	(336.3)	(344.9)	(7.1)	2.6%
Gross profit	1,676.0	1,762.9	36.4	5.2%
Other operating expenses............	(77.2)	(54.8)	(1.1)	-29.0%

	(Audited)			
	For the years ended June 30,			
	2017	2018	2018	% Change
	(in millions of ₱)		(US$ in millions)	
Operating profit	1,598.8	1,708.0	35.2	6.8%
Interest expense	(22.3)	(23.8)	(0.5)	6.7%
Profit before tax	1,576.5	1,684.3	34.8	6.8%
Tax expense	(471.9)	(504.5)	(10.4)	6.9%
Net profit	1,104.7	1,179.7	24.3	6.8%

Rental income

Rental income grew by 4.7% to ₱2,107.7 million in 2018 (US$43.5 million) from ₱2,012.3 million in 2017 primarily because of rental escalations and higher renewal rates, as well as contribution from the newly completed offices in Iloilo.

Cost of services

Cost of services increased by 2.6% to ₱344.9 million in 2018 (US$7.1 million) from ₱336.3 million in 2017 due to higher real property tax in Iloilo and depreciation expense.

Other operating expenses

Other operating expenses decreased by 29.0% to ₱54.8 million in 2018 (US$1.1 million) from ₱77.2 million in 2017 mainly due to lower commission expense paid during the year, partially offset by higher impairment loss in trade receivables due to higher estimated credit losses (ECL) rate during the period.

Interest expense

Interest expense grew by 6.7% to ₱23.8 million in 2018 (US$0.5 million) from ₱22.3 million in 2017 directly proportional to the increase in security deposit due to increase in number of tenants, renewals and escalation rates.

Profit before tax

As a result of the foregoing, profit before tax increased by 6.8% to ₱1,684.3 million in 2018 (US$34.8 million) from ₱1,576.5 million in 2017.

Tax expense

Tax expense increased by 6.9% to ₱504.5 million in 2018 (US$10.4 million) from ₱471.9 million in 2017, primarily due to higher taxable income.

Net profit

As a result of the foregoing, net profit increased by 6.8% to ₱1,179.7 million (US$24.3 million) in 2018 from ₱1,104.7 million in 2017.

STATEMENT OF FINANCIAL POSITION

As of March 31, 2021 Compared to June 30, 2020

	As of June 30,	As of March 31,		
	2020	2021	2021	% Change
	₱ millions (Audited)		US$ millions (Unaudited)	
Current assets				
Cash	0.5	0.5	0.0	0%

Trade receivables - net	71.6	71.9	1.5	0%
Prepayments and other current assets	16.5	20.6	0.4	25%
Total current assets	88.5	93.0	1.9	5%
Non-current assets				
Trade receivables - net	215.3	235.2	4.9	9%
Investment properties - net	9,520.1	9,271.9	191.3	-3%
Total non-current assets	9,735.3	9,507.1	196.2	-2%
Total assets	**9,823.9**	**9,600.0**	**198.1**	-2%
Current liabilities				
Deposits and other liabilities	329.3	283.8	5.9	-14%
Income tax payable	371.6	227.5	4.7	-39%
Total current liabilities	700.9	511.3	10.5	-27%
Non-current liabilities				
Deposits and other liabilities	741.7	754.5	15.6	2%
Deferred tax liabilities - net	66.0	63.8	1.3	-3%
Total non-current liabilities	807.8	818.2	16.9	1%
Total liabilities	**1,508.7**	**1,329.5**	**27.4**	-12%
Equity				
Invested equity	8,315.2	8,270.5	170.6	-1%
Total liabilities and equity	**9,823.9**	**9,600.0**	**198.1**	-2%

Assets

Total assets as of March 31, 2021 stood at ₱9,600.0 million (US$198.1 million), a decrease of 2.3%, or ₱223.9 million, as compared to ₱9,823.9 million as of June 30, 2020. This increase was due to the following:

- Cash remained at ₱0.5 million as of March 31, 2021 and June 30, 2020, as it pertains to discretionary funds which are used by the Properties to pay for minor expenditures.

- Trade receivables, net increased by 7.1%, or ₱20.2 million, to ₱307.0 million as of March 31, 2021 from ₱286.8 million as of June 30, 2020, which was caused by an increase in accrued rent receivables due to PAS adjustment as a result of additional revenues recognized from the newly obtained lease contracts.

- Prepayments and other current assets (which pertains to prepaid taxes) increased by 25.0%, or ₱4.1 million, to ₱20.6 million as of March 31, 2021 from ₱16.5 million as of June 30, 2020 due to increase in prepaid taxes.

- Investment properties decreased by 2.6%, or ₱248.2 million, to ₱9,271.9 million as of March 31, 2021 from ₱9,520.1 million as of June 30, 2020 due to depreciation during the year.

Liabilities

Total liabilities as of March 31, 2021 stood at ₱1,329.5 million (US$27.4 million), a decrease of 11.9%, or ₱179.2 million, as compared to ₱1,508.7 million as of June 30, 2020. This decrease was due to the following:

- Income tax payable decreased by 38.8%, or ₱144.1 million, to ₱227.5 million as of March 31, 2021 from ₱371.6 million as of June 30, 2020 due to lower taxable income.

- The current portion of deposits and other liabilities decreased by 13.8%, or ₱45.5 million, to ₱283.8 million as of March 31, 2021 from ₱329.3 million as of June 30, 2020. Non-current deposits and other liabilities increased by 1.7%, or ₱12.8 million, to ₱754.5 million as of March 31, 2021 from ₱741.7 million as of June 30, 2020. Deposits and other liabilities are security deposits, advance rent, deferred credits and others. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three months' rent for office and six months' rent for commercial and will be refunded to the lessee at the end of the lease term. Security deposits are initially measured at fair value and subsequently amortized using the effective interest method. Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts. The movement in these accounts reflect the escalation in lease rates as agreed in lease contracts, security deposits and advance rent obtained from new tenants as well as the adjustments in security deposits and advance rent following lease renewals from existing tenants.

- Deferred tax liabilities, net decreased by 3.4%, or ₱2.2 million, to ₱63.8 million as of March 31, 2021 from ₱66.0 million as of June 30, 2020 due to revised tax rate.

As of June 30, 2020 Compared to June 30, 2019

	As of June 30,			
	2019	**2020**	**2020**	**% Change**
	₱ millions (Audited)		**US$ millions (Unaudited)**	
Current assets				
Cash	0.5	0.5	0.0	0%
Trade receivables - net	60.4	71.6	1.5	19%
Prepayments and other current assets	16.5	16.5	0.3	0%
Total current assets	77.4	88.5	1.8	14%
Non-current assets				
Trade receivables - net	187.3	215.3	4.4	15%
Investment properties - net	9,851.0	9,520.1	196.4	-3%
Total non-current assets	10,038.3	9,735.3	200.9	-3%
Total assets	**10,115.8**	**9,823.9**	**202.7**	-3%
Current liabilities				
Deposits and other liabilities	267.8	329.3	6.8	23%
Income tax payable	390.2	371.6	7.7	-5%
Total current liabilities	658.0	700.9	14.5	7%
Non-current liabilities				
Deposits and other liabilities	701.0	741.7	15.3	6%
Deferred tax liabilities - net	59.5	66.0	1.4	11%
Total non-current liabilities	760.5	807.8	16.7	6%
Total liabilities	**1,418.5**	**1,508.7**	**31.1**	6%
Equity				
Invested equity	8,697.3	8,315.2	171.6	-4%
Total liabilities and equity	**10,115.8**	**9,823.9**	**202.7**	-3%

Assets

Total assets as of June 30, 2020 stood at ₱9,823.9 million (US$202.7 million), a decrease of 2.9%, or ₱291.9 million, as compared to ₱10,115.8 million as of June 30, 2019. This decrease was due to the following:

- Cash remained at ₱0.5 million as of June 30, 2020 and 2019 as it pertains to discretionary funds which are used by the Properties to pay for minor expenditures.

- Trade Receivables, net increased by 15.8%, or ₱39.1 million, to ₱286.8 million as of June 30, 2020 from ₱247.7 million as of June 30, 2019, which was caused by an increase in accrued rent receivables due to PAS adjustment as a result of additional revenues recognized from the newly obtained lease contracts.

- Prepayments and other current assets (which pertains to prepaid taxes) remained at ₱16.5 million as of June 30, 2020 and 2019.

- Investment properties decreased by 3.4%, or ₱331.0 million, to ₱9,520.1 million as of June 30, 2020 from ₱9,851.0 million as of June 30, 2019 due to depreciation during the year.

Liabilities

Total liabilities as of June 30, 2020 stood at ₱1,508.7 million (US$31.1 million), an increase of 6.4%, or ₱90.2 million, as compared to ₱1,418.5 million as of June 30, 2019. This increase was due to the following:

- Income tax payable decreased by 4.7%, or ₱18.6 million, to ₱371.6 million as of June 30, 2020 from ₱390.2 million as of June 30, 2019 due to lower taxable income.

- The current portion of deposits and other current liabilities increased by 23.0%, or ₱61.5 million, to ₱329.3 million as of June 30, 2020 from ₱267.8 million as of June 30, 2019. Non-current deposits and other noncurrent liabilities increased by 5.8%, or ₱40.7 million, to ₱741.7 million as of June 30, 2020 from ₱701.0 million as of June 30, 2019. Deposits and other liabilities are security deposits, advance rent, deferred credits and others. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three months' rent for office and six months' rent for commercial and will be refunded to the lessee at the end of the lease term. Security deposits are initially measured at fair value and subsequently amortized using the effective interest method. Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts. The movement in these accounts reflect the escalation in lease rates as agreed in lease contracts, security deposits and advance rent obtained from new tenants as well as the adjustments in security deposits and advance rent following lease renewals from existing tenants.

- Deferred tax liabilities, net increased by 10.9%, or ₱6.5 million, to ₱66.0 million as of June 30, 2020 from ₱59.5 million as of June 30, 2019.

As of June 30, 2019 Compared to June 30, 2018

	As of June 30			
	2018	**2019**	**2019**	**% Change**
	₱ millions (Audited)		**US$ millions (Unaudited)**	
Current assets				
Cash	0.5	0.5	0.0	0%
Trade receivables - net	50.6	60.4	1.2	19%
Prepayments and other current assets	15.4	16.5	0.3	7%
Total current assets	66.5	77.4	1.6	16%
Non-current assets				
Trade receivables - net	147.1	187.3	3.9	27%

Investment properties - net	10,182.0	9,851.0	203.3	-3%
Total non-current assets	10,329.0	10,038.3	207.1	-3%
Total assets	**10,395.5**	**10,115.8**	**208.7**	-3%
Current liabilities				
Deposits and other liabilities	210.4	267.8	5.5	27%
Income tax payable	385.9	390.2	8.1	1%
Total current liabilities	596.3	658.0	13.6	10%
Non-current liabilities				
Deposits and other liabilities	741.8	701.0	14.5	-6%
Deferred tax liabilities - net	50.2	59.5	1.2	19%
Total non-current liabilities	791.9	760.5	15.7	-4%
Total liabilities	**1,388.2**	**1,418.5**	**29.3**	2%
Equity				
Invested equity	9,007.4	8,697.3	179.5	-3%
Total liabilities and equity	**10,395.5**	**10,115.8**	**208.7**	-3%

Assets

Total assets as of June 30, 2019 stood at ₱10,115.8 million (US$208.7 million), a decrease of 2.7%, or ₱279.8 million, as compared to ₱10,395.5 million as of June 30, 2018. This decrease was due to the following:

- Cash remained at ₱0.5 million as of June 30, 2019 and 2018 as it pertains to a small amount of discretionary fund to pay for minor expenditures.

- Trade receivables, net increased by 25.3%, or ₱50.0 million, to ₱247.7 million as of June 30, 2019 from ₱197.7 million as of June 30, 2018, which was caused by an increase in accrued rent receivables due to PAS adjustment as a result of additional revenues recognized from the newly obtained lease contracts.

- Prepayments and other current assets (which pertains to prepaid taxes) increased by 7.3%, or ₱1.1 million, to ₱16.5 million as of June 30, 2019 from ₱15.4 million as of June 30, 2018 due to higher real property tax rate.

- Investment properties decreased by 3.3%, or ₱330.9 million, to ₱9,851.0 million as of June 30, 2019 from ₱10,182.0 million as of June 30, 2018 due to depreciation during the year.

Liabilities

Total liabilities as of June 30, 2019 stood at ₱1,418.5 million (US$29.3 million), an increase of 2.2%, or ₱30.3 million, as compared to ₱1,388.2 million as of June 30, 2018. This increase was due to the following:

- The current portion of deposits and other liabilities increased by 27.3%, or ₱57.4 million, to ₱267.8 million as of June 30, 2019 from ₱210.4 million as of June 30, 2018. Non-current deposits and other liabilities decreased by 5.5%, or ₱40.8 million, to ₱701.0 million as of June 30, 2019 from ₱741.8 million as of June 30, 2018. Deposits and other liabilities are security deposits, advance rent, deferred credits and others. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three months' rent for office and six months' rent for commercial and will be refunded to the lessee at the end of the lease term. Security deposits are initially measured at fair value and subsequently amortized using the effective interest method. Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts. The movement in these accounts reflect the escalation in lease rates as agreed in lease contracts, security deposits and advance rent obtained from new tenants as well as the adjustments in security deposits and advance rent following lease renewals from existing tenants.

- Income tax payable increased by 1.1%, or ₱4.3 million, to ₱390.2 million as of June 30, 2019 from ₱385.9 million as of June 30, 2018 due to higher taxable income.

- Deferred tax liabilities, net increased by 18.6%, or ₱9.3 million, to ₱59.5 million as of June 30, 2019 from ₱50.2 million as of June 30, 2018.

As of June 30, 2018 Compared to June 30, 2017

	As of June 30,			
	2017	2018	2018	% Change
	₱ millions (Audited)		US$ millions (Unaudited)	
Current assets				
Cash	0.5	0.5	0.0	0%
Trade receivables - net	33.6	50.6	1.0	51%
Prepayments and other current assets	13.9	15.4	0.3	11%
Total current assets	48.0	66.5	1.4	39%
Non-current assets				
Trade receivables - net	102.0	147.1	3.0	44%
Investment properties - net	10,512.9	10,182.0	210.1	-3%
Total non-current assets	10,614.9	10,329.0	213.1	-3%
Total assets	**10,662.9**	**10,395.5**	**214.5**	-3%
Current liabilities				
Deposits and other liabilities	131.5	210.4	4.3	60%
Income tax payable	347.4	385.9	8.0	11%
Total current liabilities	478.9	596.3	12.3	25%
Non-current liabilities				
Deposits and other liabilities	820.4	741.8	15.3	-10%
Deferred tax liabilities - net	31.9	50.2	1.0	57%
Total non-current liabilities	852.3	791.9	16.3	-7%
Total liabilities	**1,331.2**	**1,388.2**	**28.6**	4%
Equity				
Invested equity	9,331.7	9,007.4	185.8	-3%
Total liabilities and equity	**10,662.9**	**10,395.5**	**214.5**	-3%

Assets

Total assets as of June 30, 2018 stood at ₱10,395.5 million (US$214.5 million), a decrease of 2.5%, or ₱267.4 million, as compared to ₱10,662.9 million as of June 30, 2017. This decrease was due to the following:

- Cash remained at ₱0.5 million as of June 30, 2018 and 2017 as it pertains to discretionary funds which are used by the Properties to pay for minor expenditures.

- Trade receivables, net increased by 45.8%, or ₱62.1 million, to ₱197.7 million as of June 30, 2018 from ₱135.6 million as of June 30, 2017, which was caused by an increase in accrued rent receivables due to PAS adjustment as a result of additional revenues recognized from the newly obtained lease contracts.

- Prepayments and other current assets (which pertains to prepaid taxes) increased by 10.3%, or ₱1.5 million, to ₱15.4 million as of June 30, 2018 from ₱13.9 million as of June 30, 2017 due to higher real property tax rate.

- Investment properties decreased by 3.1%, or ₱330.9 million, to ₱10,182.0 million as of June 30,2018 from ₱10,512.9 million as of June 30, 2017 due to depreciation for the year.

Liabilities

Total liabilities as of June 30, 2018 stood at ₱1,388.2 million (US$28.6 million), an increase of 4.3%, or ₱57.0 million, as compared to ₱1,331.2 million as of June 30, 2017. This increase was due to the following:

- The current portion of deposits and other current liabilities increased by 60%, or ₱78.9 million, to ₱210.4 million as of June 30, 2018 from ₱131.5 million as of June 30, 2017. Non-current deposits and other noncurrent liabilities decreased by 9.6%, or ₱78.6 million, to ₱741.8 million as of June 30, 2018 from ₱820.4 million as of June 30, 2017. Deposits and other liabilities are security deposits, advance rent, deferred credits and others. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three months' rent for office and six months' rent for commercial and will be refunded to the lessee at the end of the lease term. Security deposits are initially measured at fair value and subsequently amortized using the effective interest method. Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts. The movement in these accounts reflect the escalation in lease rates as agreed in lease contracts, security deposits and advance rent obtained from new tenants as well as the adjustments in security deposits and advance rent following lease renewals from existing tenants.

- Income tax payable increased by 11.1%, or ₱38.5 million, to ₱385.9 million as of June 30, 2018 from ₱347.4 million as of June 30, 2017 due to higher taxable income.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically met our liquidity requirements principally through a combination of cash flow from our operations and capital infusion from our Sponsor. Our principal uses of cash have been, and are expected to continue to be, operating costs, as well as capital expenditures for construction, maintenance and/or acquisitions. In the future, we expect to fund our working capital requirements primarily from a combination of internally-generated funds, bank borrowings and/or capital infusions from the Shareholders.

Cash Flows

The following discussion of our cash flows for 2017, 2018, 2019 and 2020 should be read in conjunction with the statements of cash flows included in the Combined Carve-out Financial Statements.

	For the year ended June 30,				
	2017	2018	2019	2020	2020
		₱ millions (Audited)			US$ million (Unaudited)
Cash flow from operating activities					
Net cash flows provided by operating activities	2,613.2	1,504.1	1,481.0	1,493.0	30.8
Cash flow from investing activities					
Payments for addition to investment properties...	(40.7)	-	-	-	-
Cash flow from financing activity					

Distribution of invested equity[12]	(2,572.1)	(1,504.1)	(1,481.0)	(1,493.0)	(30.8)
Net increase (decrease) in cash........	0.5	-	-	-	-
Cash at beginning of year	-	0.5	0.5	0.5	0.0
Cash at end of year..........................	0.5	0.5	0.5	0.5	0.0

	For the nine months ended March 31,		
	2020	**2021**	**2021**
	₱ millions		**US$ million**
	(audited)		**(unaudited)**
Cash flow from operating activities			
Net cash flows provided by operating activities	1,015.8	997.8	20.6
Cash flow from investing activities			
Payments for addition to investment properties...	-	-	-
Cash flow from financing activity			
Distribution of invested equity[12]	(1,015.8)	(997.8)	(20.6)
Net increase (decrease) in cash........	-	-	-
Cash at beginning of year	0.5	0.5	0.0
Cash at end of the period.................	0.5	0.5	0.0

Net cash flows provided by operating activities

Net cash flows provided by operating activities were ₱997.8 million (US$20.6 million) for the nine months ended March 31, 2021. Our operating income before working capital changes was ₱1,513.0 million (US$31.2 million) which was offset by increase in trade receivables, increase in prepayments and other current assets and decrease in deposits and other liabilities. We paid taxes of ₱449.5 million (US$9.3 million).

Net cash flows provided by operating activities were ₱1,493.0 million (US$30.8 million) in 2020. Our operating income before working capital changes was ₱1,968.6 million (US$40.6 million) which was augmented by the net effect of increase in deposits and other liabilities and decrease in trade receivables. We paid taxes of ₱487.7 million (US$10.1 million).

Net cash flows provided by operating activities were ₱1,481.0 million (US$30.6 million) in 2019. Our operating income before working capital changes was ₱2,029.1 million which was offset by an increase in trade receivables, increase in prepayments and other current assets, and decrease in deposits and other liabilities. We paid taxes of ₱487.5 million (US$10.1 million).

Net cash flows provided by operating activities were ₱1,504.1 million (US$31.0 million) in 2018. Our operating income before working capital changes was ₱2,050.9 million which was offset by an increase in trade receivables, increase in prepayments and other current assets, and decrease in deposits and other liabilities. We paid taxes of ₱447.8 million (US$9.2 million).

Net cash flows provided by operating activities were ₱2,613.2 million (US$53.9 million) in 2017. Our operating income before working capital changes was ₱1,928.2 million which was offset by an increase in trade receivables, increase prepayments and other current assets, and augmented by an increase in deposits and other liabilities. We paid taxes of ₱92.6 million (US$1.9 million).

[12] The presumed cash distributions are calculated by adding or subtracting net cash from (or to) operating activities, net cash from (or to) investing activities and net cash from (or to) financing activities other than the presumed cash distributions or distributions of invested equity. The cash of ₱0.5 million, which is the amount of required cash needed for the day-to-day operations of the Assigned Properties, will then be deducted from the net cash derived in the previous sentence. The net cash flows associated with the Assigned Properties flows to the overall net cash flows of the Sponsor. In the combined carve-out financial statements, only the cash of ₱0.5 million was maintained, all other net cash flows were reverted to the Sponsor in the form of distributions of invested equity as presented in the cash flows from financing activities.

Net cash flows used in investing activities

In 2017, our net cash flows used in investing activities were ₱40.7 million (US$0.8 million). The cash outflow primarily consisted of additions to investment properties.

Cash flows used in a financing activity

Cash flows used in a financing activity pertains to a distribution of invested equity of ₱997.8 million (US$20.6 million) for the nine months ended March 31, 2021.

Cash flows used in a financing activity pertains to a distribution of invested equity of ₱1,493.0 million (US$30.8 million) in 2020.

Cash flows used in a financing activity pertains to a distribution of invested equity of ₱1,481.0 million (US$30.6 million) in 2019.

Cash flows used in a financing activity pertains to a distribution of invested equity of ₱1,504.1 million (US$31.0 million) in 2018.

Cash flows used in a financing activity pertains to a distribution of invested equity of ₱2,572.1 million (US$53.1 million) in 2017.

These are presumed distributions of operating cash flows to the Sponsor.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments on long-term liabilities, which include security deposits, advance rent, and deferred tax liabilities as of March 31, 2021:

Within One Year (₱)	One to Five Years (₱)	More Than Five Years (₱)
147,533,013	565,110,638	371,884,704

There are other commitments and contingent liabilities that arise in the normal course of the operations of the Company which are not reflected in the financial statements. The management of the Company is of the opinion that losses, if any, from these items will not have any material effect on their combined carve-out financial statements.

Capital Expenditures

Historically, capital expenditure comprises renovations and additions during the year to property, plant and equipment and investment property.

The table below sets out the capital expenditures in 2018, 2019 and 2020 which the Sponsor has spent through its Subsidiaries.

	For the year ended June 30,			
	2018	2019	2020	
	₱ millions			US$ millions
Investment properties and PPE	51.1	65.4	58.3	1.2
Total	51.1	65.4	58.3	1.2

For the regular maintenance, upkeep of the buildings and other services, tenants of the Properties pay CUSA. The capital expenditure projects are also funded through CUSA, after taking out the direct operating expenses in the regular maintenance and upkeep of the properties and equipment.

For 2022, our Company plans to appropriate 1.5% of its Gross Revenue for capital expenditures. Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change in circumstances and the actual amount of expenditures may vary from the planned amount of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As we continue to grow our portfolio, we may incur additional capital expenditures. Currently, there are no material commitments relating to capital expenditures.

Indebtedness

We do not have any outstanding loan payables as of June 30, 2017, 2018, 2019 and 2020, and as of March 31, 2021.

Off-Balance Sheet Arrangements

As of March 31, 2021, there were no off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Recent Issuance of Securities

As of the date of this REIT Plan, we did not sell securities within the past three years that were not registered under the Securities Regulation Code.

KEY PERFORMANCE INDICATORS

We set out below certain performance indicators that we employ in period-to-period analysis and comparison of financial data.

	As of or for the year ended June 30,				
Key Financial Figures and Ratios	**2017**	**2018**	**2019**	**2020**	**2020**
					US$ (in millions)
Rental Income (in ₱ millions)	2,012.3	2,107.7	2,108.6	2,039.9	42.1
Current Assets (in ₱ millions)	48.0	66.5	77.4	88.5	1.8
Current Liabilities (in ₱ millions)	478.9	596.3	658.0	700.9	14.5
Current Ratio(1)	**0.10**	**0.11**	**0.12**	**0.13**	**0.13**
Total Liabilities (in ₱ millions)	**1,331.2**	**1,388.2**	**1,418.5**	**1,508.7**	**31.1**
Total Equity (in ₱ millions)	**9,331.7**	**9,007.4**	**8,697.3**	**8,315.2**	**171.6**
Liabilities to Equity Ratio (2)	**0.14**	**0.15**	**0.16**	**0.18**	**0.18**
Net Profit (in ₱ millions)	1,104.7	1,179.7	1,170.9	1,110.9	22.9
Return on Equity(3)	**0.11**	**0.13**	**0.13**	**0.13**	**0.13**
Total Assets (in ₱ millions)	10,662.9	10,395.5	10,115.8	9,823.9	202.7
Asset to Equity Ratio(4)	**1.14**	**1.15**	**1.16**	**1.18**	**1.18**

Notes:

(1) *Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our Company's ability to pay short-term obligations.*

(2) *Liabilities to equity ratio is derived by dividing liabilities (short-term and long-term) by total equity. The liabilities to equity ratio measures the degree of our financial leverage.*

(3) *Return on equity is derived by dividing net profit by average total equity.*

(4) *Asset to equity ratio is derived by dividing total assets by total equity. The asset to equity ratio measures our Company's financial leverage and long-term solvency.*

Key Financial Figures and Ratios	**For the nine months ended March 31, 2020**	**As of and for the nine months ended March 31, 2021**	**As of and for the nine months ended March 31, 2021**
	₱ millions		**US$ millions**
Rental Income (in ₱ millions)	1,495.9	1,587.1	32.7
Current Assets (in ₱ millions)	N/A	93.0	1.9

Current Liabilities (in ₱ millions)	N/A	511.3	10.5
Current Ratio[(1)]	**N/A**	**0.18**	**0.18**
Total Liabilities (in ₱ millions)	**N/A**	**1,329.5**	**27.4**
Total Equity (in ₱ millions)	**N/A**	**8,270.5**	**170.6**
Liabilities to Equity Ratio [(2)]	**N/A**	**0.16**	**0.16**
Net Profit (in ₱ millions)	819.1	953.2	19.7
Return on Equity[(3)]	**N/A**	**0.11**	**0.11**
Total Assets (in ₱ millions)	N/A	9,600.0	198.1
Asset to Equity Ratio[(4)]	**N/A**	**1.16**	**1.16**

Notes:

(1) *Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our Company's ability to pay short-term obligations.*

(2) *Liabilities to equity ratio is derived by dividing liabilities (short-term and long-term) by total equity. The liabilities to equity ratio measures the degree of our financial leverage.*

(3) *Return on equity is derived by dividing net profit by average total equity.*

(4) *Asset to equity ratio is derived by dividing total assets by total equity. The asset to equity ratio measures our Company's financial leverage and long-term solvency.*

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

Our Company's principal financial instruments consist of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

We review policies for managing each of these risks and monitor market price risk from all financial instruments and regularly report financial management activities and the results of these activities to the Board.

Exposure to credit, interest rate and liquidity risks arise in the normal course of our Company's business activities. The main objectives of our Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Our Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Our Company's credit risk is attributable to trade receivables. We maintain defined credit policies and continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Our policy is to deal only with creditworthy counterparties. In addition, security deposits and advance payments are received to mitigate credit risk. The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the combined carve-out statements of financial position.

Liquidity Risk

Our Company actively manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-today business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a 6-month and one-year period are identified monthly. We maintain cash to meet our liquidity requirements for up to 60-day periods. Excess cash, if any, shall be invested in time deposits, or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

Seasonality

Our Company is not subject to the effects of seasonality or other sales cycles with respect to its office leases, as its rental terms for office space are fixed and apply uniformly across the duration of the lease agreements.

PROFIT PROJECTION

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of this REIT Plan and are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, guarantee, warranty or prediction with respect to the accuracy of the underlying assumptions by any of the Company, the International Bookrunners, the Domestic Underwriters, the Sponsor or any other party involved in the Offer, or that these results will be achieved or are likely to be achieved (see "Forward-looking Statements" and "Risk Factors" for further details). Investors in the Shares are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this REIT Plan.

P&A Grant Thornton relied on the financial projections provided by the Company. Notwithstanding the tasks performed by P&A Grant Thornton during the engagement, the responsibility for the financial projections and the assumptions on which such projections are based rests with the Company. As the financial projections necessarily depend on subjective judgment, the projections carry substantial inherent uncertainties. Consequently, financial projections are not capable of being substantiated or audited in the same way as a financial statement which presents the results of a completed accounting period.

The SEC does not recommend any investments or investment strategies and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this REIT Plan.

None of the Company, the International Bookrunners, the Domestic Underwriters, the Sponsor or any other party involved in the Offer guarantee the performance of the Company, the repayment of capital or the payment of any distributions, or any particular return on the Shares. The projected yields stated in the following table are calculated based on:

- *The Offer Price of* ***₱16.10*** *per Offer Share; and*

- *The assumption that the Listing Date is September 30, 2021.*

Such yields will vary accordingly if the Listing Date is not on September 30, 2021, or for investors who purchase Shares in the secondary market at a market price that differs from the Offer Price. For the avoidance of doubt, Shareholders shall only be entitled to dividends of the Company if they are shareholders as of the record date of such dividend declaration. The following table shows the Company's projected Statements of Comprehensive Income and Distribution for the Projection Period for Fiscal Years 2022 and 2023. The financial year end of the Company is June 30. The profit projection may be different to the extent that the actual date of issuance of Shares is other than September 30, 2021, being the assumed date of the issuance of Shares for the Offer.

The Company is solely responsible for the profit projection, including the assumptions set out in the Prospectus on which they are based.

P&A Grant Thornton has examined the profit projection, excluding certain non-PFRS measures, their reconciliation, calculation and amounts such as Funds from Operations, Adjusted Funds from Operations (AFFO), AFFO payout ratio, dividends payout ratio, illustrative price range per share, dividends, offer price, dividend yield%, net operating income and any capital expenditures, which have been prepared on the basis of the assumptions as set out in the Prospectus, in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, The Examination of Prospective Financial Information. This section should be read together with the report "Independent Auditor's Report on Examination of the Profit Projection".

FORECAST STATEMENTS OF COMPREHENSIVE INCOME AND DISTRIBUTION

The projected Statements of Comprehensive Income and Distribution are as follows:

	Projection Period 2022 (One Year From July 01, 2021 To June 30, 2022) (Unaudited)	Projection Period 2023 (One Year From July 01, 2022 To June 30, 2023) (Unaudited)
	(₱ million)	(₱ million)
REVENUE		
Rental income	2,310.4	2,434.0
Dues	154.7	162.4
Income from Deferred Credits	32.0	37.0
	2,497.1	2,633.4
COST AND EXPENSES		
Direct operating expenses		
Association dues	(1.1)	(0.6)
Real Property Taxes	(16.5)	(16.5)
Commissions	(12.6)	(6.4)
Business Tax Expense	(33.4)	(37.6)
Property Management	(49.8)	(53.5)
Fund Management	(87.2)	(93.6)
Land lease	-	-
General and administrative expenses	(15.8)	(16.5)
	(216.4)	(224.7)
OTHER INCOME (CHARGES) – Net		
Interest income	48.8	51.9
Interest expense	(33.8)	(35.5)
INCOME BEFORE INCOME TAX	2,295.7	2,425.2
Income Tax	-	-
NET INCOME	2,295.7	2,425.2
Distribution adjustments	-	-
DISTRIBUTABLE INCOME	**2,295.7**	**2,425.2**
Income from Deferred Credits	(32.0)	(37.0)
Interest Expense	33.8	35.5
Straight-line rent adjustments	44.5	98.5
Capital Expenditure	(37.6)	(40.4)
Adjusted funds from operations (AFFO)	2,304.4	2,481.8
Dividend payout ratio (%)	100%	102%
Dividends	2,304.4	2,481.8
No. of outstanding shares (in million)	2,532.1	2,532.1
Dividends per share	0.91	0.98
Illustrative price range per share		
Offer Price	16.1	16.1
With 5% discount on Offer Price	15.3	15.3
With 10% discount on Offer Price	14.5	14.5
Dividend yield (%)		
Offer Price	5.7%	6.1%
With 5% discount on Offer Price	6.0%	6.4%
With 10% discount on Offer Price	6.3%	6.8%

Notes:

(1) Income from deferred credits arises from the straight-line recognition of the difference between the security deposit received and its present value over the lease term.

(2) Dividend payout ratio is derived by dividing dividends by full year distributable income. Please see "Dividends and Dividend Policy" in this REIT Plan for the calculation of the full year distributable income.

*(3) Shareholders shall only be entitled to dividends of the Company if they are shareholders as of the record date of such dividend declaration. Projected dividends are based on adjusted funds from operations ("**AFFO**"). Please see "Dividends and Dividend Policy" for the reconciliation of net income in accordance with PFRS to AFFO.*

ASSUMPTIONS

The Company has prepared the profit projection on the following assumptions. The Company considers these assumptions to be appropriate and reasonable as at the date of this REIT Plan. However, investors should consider these assumptions as well as the profit projection and make their own assessment of the future performance of the Company.

Revenue and Net Operating Income Contribution of Each Property

The projected contributions of each of the properties to revenue are as follows:

Contribution to Revenue (excluding revenue not related to the Properties)	Projection Period 2022 (Unaudited)		Projection Period 2023 (Unaudited)	
	(₱ million)	(%)	(₱ million)	(%)
One Techno Place	65.9	2.6%	74.5	2.8%
Richmonde Tower	59.9	2.4%	61.3	2.3%
8/10 Upper McKinley Building	180.8	7.2%	195.7	7.4%
18/20 Upper McKinley Building	289.5	11.6%	292.5	11.1%
One World Square	400.2	16.0%	409.7	15.6%
Two World Square	265.6	10.6%	276.0	10.5%
Three World Square	244.6	9.8%	256.3	9.7%
1880 Eastwood Avenue	295.3	11.8%	342.2	13.0%
E-Commerce Plaza	224.0	9.0%	231.2	8.8%
1800 Eastwood Avenue	414.8	16.6%	437.6	16.6%
Richmonde Hotel Iloilo	56.4	2.3%	56.4	2.1%
Total	**2,497.1**	**100.0%**	**2,633.4**	**100.0%**

The projected contributions of each of the Properties to the Company's Net Operating Income are as follows:

Contribution to Net Operating Income	Projection Period 2022 (Unaudited)		Projection Period 2023 (Unaudited)	
	(₱ million)	(%)	(₱ million)	(%)
One Techno Place	61.0	2.7%	69.1	2.8%
Richmonde Tower	49.3	2.1%	50.6	2.1%
8/10 Upper McKinley Building	157.7	6.9%	176.5	7.3%
18/20 Upper McKinley Building	273.8	11.9%	275.8	11.4%
One World Square	371.6	16.2%	378.7	15.6%
Two World Square	242.1	10.5%	251.6	10.4%
Three World Square	225.4	9.8%	235.9	9.7%
1880 Eastwood Avenue	268.3	11.7%	310.9	12.8%
E-Commerce Plaza	208.4	9.1%	214.9	8.9%
1800 Eastwood Avenue	386.5	16.8%	408.7	16.9%
Richmonde Hotel Iloilo	52.5	2.3%	52.5	2.2%
Total	**2,296.5**	**100.0%**	**2,425.2**	**100.0%**

REVENUE

Revenue comprises of:

- Rental income from offices, retail properties, and hotel;
- Dues pertains to net recoveries from tenants for the usage of common area and utilities; and
- Income from deferred credits

Rental Income

The projected Rental Income for the Properties are estimated as follows:

Rental Income	Projection Period 2022 (Unaudited)		Projection Period 2023 (Unaudited)	
	(₱ million)	(%)	(₱ million)	(%)
One Techno Place	59.6	2.6%	68.3	2.8%
Richmonde Tower	54.9	2.4%	56.1	2.3%
8/10 Upper McKinley Building	163.1	7.1%	176.7	7.3%
18/20 Upper McKinley Building	268.5	11.6%	270.4	11.1%
One World Square	372.6	16.1%	381.0	15.7%
Two World Square	243.9	10.6%	253.0	10.4%
Three World Square	222.6	9.6%	232.3	9.5%
1880 Eastwood Avenue	273.1	11.8%	317.9	13.1%
E-Commerce Plaza	204.3	8.8%	210.6	8.9%
1800 Eastwood Avenue	391.4	16.9%	411.4	16.9%
Richmonde Hotel Iloilo	56.4	2.4%	56.4	2.3%
Total	**2,310.4**	**100.0%**	**2,434.0**	**100.0%**

The following assumptions are considered by the Company to project the Rental Income:

- Rental Income includes the office, retail, and hotel.

- Rental Income presented above includes the effect of straight-line basis of accounting over the lease term, in compliance with PFRS 16. For the Projection Period 2022 and Projection Period 2023, the Company recognized negative adjustments from straight-line method of ₱44.50 million and ₱98.46 million respectively.

- 84% and 70% of Rental Income (exclusive of straight-line adjustments) for projection years 2022 and 2023, respectively, are based on executed contracts of lease as of the date of this REIT Plan. Existing contracts of lease for Office Properties normally have tenancy periods of between five and ten years, while Retail Properties have two (2) to five (5) years. Annual rental escalation provisions are also built into the Company's existing leases, generally ranging from 5% for offices for 10% for retail.

- The remaining 16% and 30% for projection years 2022 and 2023, respectively, are based on renewals of existing leases and new tenant leasing assumptions, taking into account historical occupancy rates of the Properties, market rental rates and provision for vacancy. Given the historical renewal rate of the Company's tenants, the Company expects to have similar level of tenancy renewals and stability in its tenant base.

- The Company has tempered their expectations through the projected years with occupancy rates increasing to 96% and 98% in 2022 and 2023, respectively. The Company, however, sees opportunities in the form of bigger space requirements from tenants, especially if social distancing will be the new norm. Furthermore, the Company believes that the work from home setup in the Philippines is plagued with many issues involving connectivity, high costs of infrastructure, and also the general setup of

Philippine homes, which make the office setup still the preferred solution. Consequently, the Company expects its rental rates to remain unaffected.

- Rental revenues for Richmonde Hotel Iloilo is at ₱4.7 million per month for the projection years 2022 and 2023, with no rent escalation until June 2032. From July 2032 until June 2046, rent will be at ₱3,000,000.00 per month plus 5% of gross rental revenue per month. Rent is exclusive of VAT, DST and other taxes which shall be borne by the Sponsor.

DUES

Dues pertain to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

Dues	**Projection Period 2022 (Unaudited) (₱ million)**	**Projection Period 2023 (Unaudited) (₱ million)**
Dues	463.6	486.8
Less: Direct cost		
Outside services	117.9	123.8
Repairs and maintenance	22.4	23.5
Utilities	113.2	118.8
Taxes, licenses and fees	27.1	28.4
Others	28.4	29.9
Total direct cost	309.0	324.4
	154.7	**162.4**

Below are the assumptions used in computing for the Dues:

- Dues are recognized when related services are rendered. Common areas are computed based on rates stated on the executed contracts of lease multiplied by the gross leasable area occupied by the tenant.

- Outside services include security service salaries, membership fees, janitorial services, preventive maintenance, security services agency, and pest and termite control.

- Utilities charges are based on consumption or charges for emergency power and other public services, or utilities consumed or supplied in the leased premises.

- Taxes, licenses, and fees include professional fees and other taxes and licenses required to operate.

- Other costs involve expenses relating to supplies and materials, insurance, depreciation, meeting and events, communication, printing and photocopying, transportation, notarial services, banking charges, rental expenses, and other miscellaneous expenses.

- Dues and direct costs are projected to increase by 3% in 2022 and 5% in 2023.

COSTS AND EXPENSES

Costs and expenses consist of:

- Association dues

- Real property tax (RPT)

- Commissions

- Business tax
- General and administrative expenses
- Property management (PM) fees
- Fund management (FM) fees
- Land lease

Costs and Expenses	Projection Period 2022	Projection Period 2023
	(Unaudited)	
	₱ million	
Association dues	1.1	0.6
Real property tax	16.5	16.5
Commission expense	12.6	6.4
Business tax	33.4	37.6
Property management fees	49.8	53.5
Fund management fees	87.2	93.6
Land lease	0.0	0.0
General and Administrative Expenses	15.8	16.5
Total	**216.4**	**224.7**

Assumptions which have been considered in calculating the direct operating expenses and general & administrative expenses are as follows:

Association Dues

Association dues are monthly payments to be made by the REIT for vacant spaces. These are computed based on ₱140 per vacant gross leasable area (GLA).

Real Property Taxes

Real property taxes (RPT) are taxes payable to the municipality in which the properties are located. These are computed based on 80% of market value per tax declarations of the properties multiplied by the current property tax rate.

Commissions

Commissions are calculated at 100% or 200% of the lease contract's first monthly rental fee, depending on the floor area leased.

Business Taxes

Business taxes are computed on estimated gross rental receipts multiplied by the historical business tax rates.

Land Lease

Land lease pertains to rentals payable to the sponsor, Megaworld Corporation, for land area where the properties are located, the lease term of which is for an aggregate period of 50 years commencing May 3, 2021 and expiring on May 3, 2071.[13] As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years. As consideration for the land lease, our Company will pay the Sponsor Rent, exclusive of VAT, DST and other taxes which shall be borne by our Company as follows:[14]

	Rental rate from July 1, 2023 to June 30, 2025
Office and retail	2.5% of gross rental income
Hotel	1.5% of rentals and revenues
	Rental rate from July 1, 2025 onwards
Office and retail	5.0% of gross rental income
Hotel	3.0% of rentals and revenues

Fund Management Fee

Under the Fund Management Agreement, the Fund Manager will receive a management fee, equivalent to three and one half percent (3.5%) of MREIT's Gross Revenue exclusive of value-added taxes (hereafter referred to as the "Fund Management Fee") The Fund Management Fee paid to the Fund Manager in any given year shall not exceed one percent (1%) of the Net Asset Value of the properties under management. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = 0.035 x MREIT's Gross Revenue

The Fund Management Fee shall be payable to the Fund Manager annually.

Property Management Fee

Under the Property Management Agreement, the Property Manager will receive a management fee, equivalent to two percent (2%) of MREIT's Gross Revenue, exclusive of value-added tax (hereafter referred to as the "Property Management Fee". The Property Management Fee paid to the Property Manager in any given year shall not exceed one percent (1%) of the Net Asset Value of the Properties under its management. In computing the Property Management Fee, the formula to be used shall be as follows:

Property Management Fee = 0.02 x MREIT's Gross Revenue

The Property Management Fee shall be due and payable to the Property Manager in quarterly installments. The relevant period refers to the quarter for which the Property Management Fee is to be applied.

General and Administrative Expenses

General and administrative expenses consist of expenses such as executive compensation, salaries and wages, employee benefits, medical benefits, rent, office supply, permits and licenses, utilities, transportation and travel, meetings and conferences, advisory fees, and other benefits and bonuses.

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[13] The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

[14] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

OTHER INCOME (EXPENSES)

Interest Expense

Interest expense pertains to accretion of security deposits. It has been estimated based on the discount rate at the time of receipt of security deposits.

Interest Income

Interest Income pertains to the interest received from its cash deposits in the bank. Interest rate is assumed to be 1.50%, before deduction of 20% final tax rate.

PROVISION FOR INCOME TAX

For Projection Period 2022 and Projection Period 2023, there is no provision for income tax recognized since the Company will be paying 100% of its Adjusted funds from operations (AFFO) as dividends.

CAPITAL EXPENDITURE

Capital expenditure is projected to be at 1.5% of rental income (before straight-line adjustments) and dues for the projection years 2022 and 2023.

DIVIDENDS

Funds from operations ("**FFO**") is equal to net income, excluding gains or losses from sales of property and (i) deducting the difference between income from the straight-line method of recognizing revenue and actual income, (ii) deducting income from deferred credits for security deposits, and (iii) adding back interest expense from accretion of security deposits. Adjusted funds from operations ("**AFFO**") is calculated by subtracting from FFO recurring capital expenditures that are capitalized by the Company and then amortized, but which are necessary to maintain the Company's properties and its revenue stream.

The use of FFO and AFFO, combined with the required PFRSs presentations, improves the understanding of our operating results among investors. AFFO is an important measurement because the Company's leases generally have contractual escalations of base rents that are not directly observable in the Company's statements of comprehensive income due to application of straight-line method of recognizing Rental Income. Non-cash expenses are added while capital expenditures on existing investment properties are deducted in the calculation of AFFO. Hence, AFFO provides a better measure of its dividend-paying capability. As the Company is adopting the revaluation model for the valuation of its investment properties, no depreciation expense will be recognized and adjusted.

AFFO should not be considered as an alternative to cash flows from operating activities (calculated pursuant to PFRS) as an indicator of the Company's liquidity.

	Projection Period 2022 (Unaudited) (₱ million)	**Projection Period 2022 (Unaudited) (₱ million)**
Net Income	2,295.7	2,425.2
Distribution adjustments	-	-
Distributable Income	2,295.7	2,425.2
Income from Deferred Credits	(32.0)	(37.0)
Interest Expense	33.8	35.5
Straight-line rent adjustments	44.5	98.5
Funds from operations (FFO)	2,342.0	2,522.2
Capital expenditures on existing investment properties	(37.6)	(40.4)
Adjusted funds from operations (AFFO)	2,304.4	2,481.8
AFFO payout ratio	100%	100%
Dividends	2,304.4	2,481.8
Total dividends as percentage of distributable income	**100%**	**102%**

The REIT Law expects a REIT to distribute annually a total of at least 90% of its Distributable income. In Projection Period 2022 and Projection Period 2023, the Company expects to distribute 100% of its AFFO or more than 100% of its distributable income.

ACCOUNTING STANDARDS

The Company has adopted the Philippine Financial Reporting Standards (PFRSs).

The Company assumes that a change in applicable accounting standards or other financial reporting requirements will not have a material effect on the profit projection. Significant accounting policies adopted by the Company in the preparation of the profit projection are set out in the Financial Statements of the Company as of June 30, 2020, 2019 and, 2018.

OTHER ASSUMPTIONS

The Company has made the following additional assumptions in preparing the profit projections:

- The Company did not assume additional property acquisitions during Projection Period 2022 and Projection Period 2023;

- Apart from the initial public offering in September, 2021, the Company assumed that there are no further equity or debt capital raised during Projection Period 2022 and Projection Period 2023;

- There will be no pre-termination of any committed leases (unless notice has already been given);

- There will be no change in the applicable tax legislation, other applicable legislation, or regulatory or juridical interpretation of the same for Projection Period 2022 and Projection Period 2023.

- All leases and licenses as of July 1, 2021 are enforceable and will be performed in accordance with their terms during the Projection Period 2022 and Projection Period 2023, except as disclosed. The Profit Forecast and Profit Projection has not factored in the effects of BIR's Revenue Regulations No. 9-2021 ("**RR 9-2021**") issued on June 9, 2021, although the Company does not believe that the implementation of such regulations will have a material impact on the Profit Forecast and Profit Projection. As of July 29, 2021, citing "the continuing COVID-19 pandemic and its impact on the export industry", the BIR has issued Revenue Regulations No. 15-2021, deferring the implementation of RR 9-2021 until the issuance of amendatory regulations.

SENSITIVITY ANALYSIS

The projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above. The projected distributions are also subject to a number of risks.

Investors should be aware that future events cannot be predicted with any certainty and deviations from the figures projected in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the Profit Projection, a series of tables demonstrating the sensitivity of the distribution yield to changes in the principal assumptions are set out below.

The sensitivity analyses are intended only as a guide. Variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown. The results of the sensitivity analyses below are based on the Offer Price of **₱16.10** per Offer Share.

Rental Income

Changes in Rental Income will impact the Net Income of the Company and consequently, the dividend yield. The assumptions for Rental Income have been set out earlier in this section. The effect of variations in the Rental Income on the dividend yield is set out below:

	Dividend yield pursuant to changes in Rental Income	
	Projection Period 2022	Projection Period 2023
	(%)	(%)
5.0% above base case	5.96%	6.42%
Base case	5.65%	6.09%
5.0% below base case	5.34%	5.76%

Costs and Expenses

Changes in Costs and Expenses will impact the Net Income of the Company and consequently, the dividend yield. The assumptions for Costs and Expenses have been set out earlier in this section. The effect of variations in the Costs and Expenses on the dividend yield is set out below:

	Dividend yield pursuant to changes in Cost and Expenses	
	Projection Period 2022	Projection Period 2022
	(%)	(%)
5.0% above base case	5.63%	6.06%
Base case	5.65%	6.09%
5.0% below base case	5.68%	6.12%

BUSINESS AND PROPERTIES

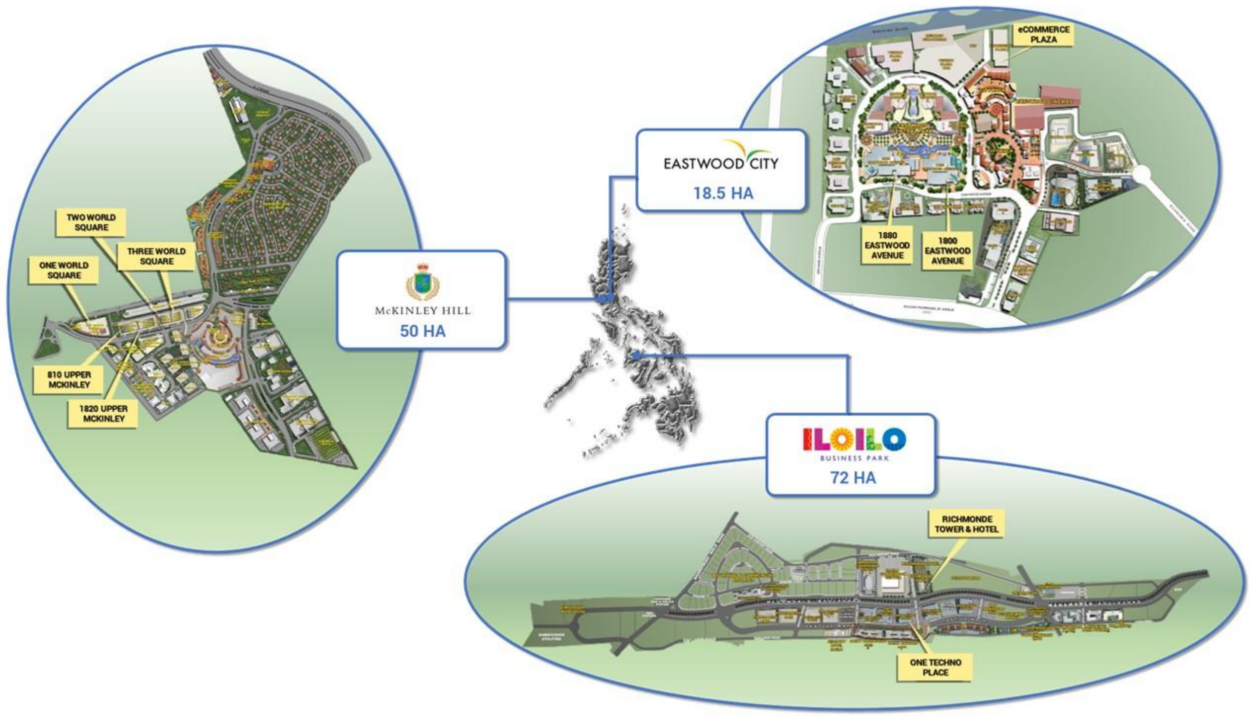
OVERVIEW

MREIT, Inc. was incorporated under Philippine law on October 2, 2020 under the name of Megaworld Holdings, Inc. with an authorized capital stock of ₱5,000,000,000.00 divided into 50,000,000 common shares with a par value of ₱100.00 per share. On May 19, 2021, our Company's Articles of Incorporation and By-Laws were amended: (a) changing our Company's name to MREIT, Inc. to align with our Company's primary purpose to engage in the business of a real estate investment trust as provided under the REIT Regulations; (b) changing the par value of our Company's common share from ₱100.00 to ₱1.00 per share, therefore resulting in our Company's authorized capital stock of ₱5,000,000,000.00 being divided into 5,000,000,000 common shares with a par value of ₱1.00 per share; (c) increasing our number of directors from five to seven; and, (d) changing our Company's fiscal year to end on June 30, instead of December 31. As of the date of this REIT Plan, we have 2,532,121,381 Shares issued and outstanding. We have no preferred shares and no Shares held in treasury.

As of the date of this REIT Plan, our Company is 99.6% owned by Megaworld Corporation. Our Company presently does not have any Subsidiaries. Upon completion of the Offer, the Shares owned by the Sponsor will represent approximately 62.1% of the issued and outstanding capital stock of MREIT, assuming the full exercise of the Overallotment Option, and approximately 66.3% of the issued and outstanding capital stock of MREIT, assuming no exercise of any Overallotment Option.

The principal investment mandate and strategy of MREIT is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Through our Fund Manager, our Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a Competitive Investment Return to our investors. See "—*Investment Policy*."

The Institute of Volcanology and Seismology has certified that Eastwood City, McKinley Hill, and Iloilo Business Park are located in areas with more than sufficient buffer zone against rupturing of the West Valley Fault Line and West Panay Fault Line. McKinley Hill Subdivision and Eastwood City are 500 meters and 140 meters away from the West Valley Fault Line, respectively. Iloilo Business Park is 32.9 kilometers away from the West Panay Fault Line.



Our 10 Properties, which constitute our initial Portfolio with an aggregate GLA of 224,430.8 sqm as of March 31, 2021 and with an aggregate appraised value of ₱49,316.0 million (US$1,017.5 million) based on the Valuation Report issued by SKF are located in central business districts ("**CBDs**") across Metro Manila, primarily in Taguig City and Quezon City, and in Iloilo City outside of Metro Manila. The table below provides details of each Property as indicated.

	Year Completed	Office Grade(1)	GLA (sqm)	% of Total Portfolio GLA	Occupancy Rate (%)(2)	Appraised Value (₱ million)(2)	% of Appraised Value
A. Metro Manila							
1800 Eastwood Avenue	2006	A	34,738.2	15.5%	98.3%	7,706.0	15.6%
1880 Eastwood Avenue	2007	A	33,743.8	15.0%	77.0%	6,790.0	13.8%
One World Square	2007	A	30,481.7	13.6%	98.4%	8,018.0	16.3%
Two World Square	2009	A	21,286.4	9.5%	94.1%	5,501.0	11.2%
Three World Square	2010	A	21,216.6	9.5%	99.7%	5,190.0	10.5%
E-Commerce Plaza	2008	A	20,940.2	9.3%	100.0%	4,279.0	8.7%
8/10 Upper McKinley Building	2010	A	19,937.5	8.9%	76.9%	4,660.0	9.4%
18/20 Upper McKinley Building	2009	A	19,413.8	8.6%	99.9%	4,337.0	8.8%
Subtotal – Metro Manila			**201,758.2**	**89.9%**	**92.7%**	**46,481.0**	**94.3%**
B. Iloilo							
One Techno Place Iloilo	2017	A	9,548.7	4.3%	95.1%	1,170.0	2.4%
Richmonde							
Richmonde Tower	2016	A	6,354.8	2.8%	100.0%	866.0	1.7%
Richmonde Hotel Iloilo	2016	A	6,769.1	3.0%	100.0%	799.0	1.6%
Subtotal – Iloilo			**22,672.6**	**10.1%**	**97.9%**	**2,835.0**	**5.7%**
Overall			**224,430.8**	**100.0%**	**93.2%**	**49,316.0**	**100.0%**

Notes:
(1) According to LPC, Grade A office buildings boast of high-quality interior designs and exterior finishing and are centrally located in major business districts. Grade A buildings typically feature floor plates of not less than 1,000 sqm. Grade A buildings also feature a good tenant mix and profile.
(2) As of March 31, 2021.

All of the Properties were developed by our Sponsor, Megaworld Corporation. All of the Properties are owned by our Company and stand on land leased from the Sponsor for an aggregate period of 50 years.[15] As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[16] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years.

All Properties are PEZA-registered and/or located in PEZA-registered zones. In spite of the community quarantine imposed by the Government due to the coronavirus pandemic, the Properties enjoy pre-COVID-19 occupancy levels due largely to the sustained operations of the BPO office tenants. Our Properties have enjoyed consistently high occupancy rates thus earning stable rental revenues. Our Portfolio has a weighted average lease expiry ("**WALE**") of 4.7 years (by GLA) as of March 31, 2021. The expiration of our lease agreements with our tenants is summarized below:

[15] The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

[16] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

Year	GLA Expiring (sqm)	% of total occupied GLA
2021	7,225.8	3.5%
2022	21,079.9	10.1%
2023	63,986.5	30.7%
2024	28,419.3	13.6%
2025 and beyond	87,914.7	42.1%
TOTAL	**208,656.2**	**100.0%**

The following table summarizes our total Rental Income and Occupancy Rates as of and for the years ended June 30, 2018, 2019 and 2020 and as of and for the nine months ended March 31, 2021.

	Rental Income			**Rental Income**		**% of Total Rental Income**
	For the fiscal year ended June 30,			**For the nine months ended March 31,**		**For the nine months ended March 31,**
	2018	**2019**	**2020**	**2020**	**2021**	**2021**
PROPERTY	**(₱ millions)**			**(₱ millions)**		**%**
A. Metro Manila						
1800 Eastwood Avenue	338.6	359.2	365.5	278.4	257.4	16.5%
1880 Eastwood Avenue	244.4	272.4	262.3	196.2	200.3	12.9%
One World Square	310.4	301.0	310.2	229.3	250.0	16.1%
Two World Square	211.6	189.1	144.5	110.1	132.0	8.5%
Three World Square	197.4	199.9	183.1	134.7	156.7	10.1%
E-Commerce Plaza	168.9	177.5	192.2	144.7	147.7	9.5%
8/10 Upper McKinley Building	226.2	243.5	233.4	177.9	144.2	9.3%
18/20 McKinley Building	170.8	161.6	127.7	86.3	149.1	9.6%
Subtotal – Metro Manila	1,868.3	1,904.2	1,818.9	1,357.6	1,437.4	92.4%
B. Iloilo						
One Techno Place Iloilo	48.7	52.0	54.1	40.6	41.9	2.7%
Richmonde						
Richmonde Tower	34.7	36.7	36.4	26.6	34.3	2.2%
Richmonde Hotel Iloilo	56.9	56.9	56.9	42.7	42.7	2.7%
Subtotal – Iloilo	140.3	145.6	147.4	109.9	118.9	7.6%
OVERALL TOTAL	2,008.6	2,049.8	1,966.3	1,467.5	1,556.3	100.0%

PROPERTY	Occupancy Rate[1]			
	As of June 30,			As of March 31,
	2018	2019	2020	2021
	(%)			(%)
A. Metro Manila				
1800 Eastwood Avenue	100.0%	99.8%	98.3%	98.3%
1880 Eastwood Avenue	97.1%	88.2%	98.0%	77.0%[2]
One World Square	100.0%	89.0%	98.4%	98.4%
Two World Square	100.0%	65.7%	94.1%	94.1%
Three World Square	99.9%	92.7%	99.7%	99.7%
E-Commerce Plaza	100.0%	100.0%	100.0%	100.0%
8/10 Upper McKinley Building	94.1%	100.0%	76.9%[3]	76.9%
18/20 McKinley Building	94.1%	100.0%	99.9%	99.9%
Aggregate Occupancy – Metro Manila	**98.4%**	**91.9%**	**96.1%**	**92.7%**
B. Iloilo				
One Techno Place Iloilo	97.0%	96.0%	96.0%	95.1%
Richmonde				
Richmonde Tower	81.0%	83.0%	100.0%	100.0%
Richmonde Hotel Iloilo	100.0%	100.0%	100.0%	100.0%
Aggregate Occupancy – Iloilo	**93.4%**	**93.6%**	**98.3%**	**97.9%**
TOTAL OCCUPANCY	**97.9%**	**92.1%**	**96.3%**	**93.2%**

Note:
(1) Occupancy Rate represents the percentage of occupied GLA in each Property at a given time, regardless of the type of tenant (i.e., BPO and traditional office, hotel, or retail and others). Occupancy Rate is calculated by dividing the total GLA occupied by all tenants by the total number of GLA available for lease, multiplied by 100.
(2) The Occupancy Rate of 1880 Eastwood Avenue decreased from 98.0% as of June 30, 2020 to 77.0% as of March 31, 2021 due to expiry and non-renewal of the lease of a BPO tenant pursuant to its optimization of tenancies across the Group's properties, including those owned by the Company and the Sponsor.
(3) The Occupancy Rate of 8/10 Upper McKinley Building decreased from 100.0% as of June 30, 2019 to 76.9% as of June 30, 2020 due to expiry and non-renewal of the lease of a BPO tenant pursuant to its optimization of tenancies across the Group's properties, including those owned by the Company and the Sponsor.

Our Portfolio has 86 existing tenants as of March 31, 2021 across various sectors, which we categorize as follows: (i) Business Process Outsourcing (**"BPO"**) and traditional office; (ii) hotel, (iii) retail and others. Due to the sustained growth from the BPO sector, we have secured a number of major BPO customers as long-term tenants in the Properties. As of March 31, 2021, 89.9% or 195,776.0 sqm of the total available GLA of our Portfolio was occupied by BPOs and traditional offices, and 2.8% or 6,111.1 sqm of the total available GLA of our Portfolio was occupied by retail and other tenants. The remaining 6,769.1 sqm pertains to the hotel GLA.

Our major tenants include Refinitiv Asia Pte Ltd., IBM Business Services Inc., Ingram Micro Philippines BPO LLC, NTT Data Services Philippines Inc. and Google Services Philippines, Inc. and no single tenant accounted for more than 6.8% of our Rental Income and 6.4% of our total Portfolio GLA as of and for the nine months ended March 31, 2021. As of March 31, 2021, our 10 largest tenants (in terms of GLA across our Portfolio but excluding hotel tenants and related parties, our "**Top 10 Tenants**") accounted for 40.7% of our total Portfolio GLA and contributed almost 50.0% of Rental Income for the nine months ended March 31, 2021. Our Top 10 Tenants include major international BPOs.

	Tenant[1]	Sector	Description	Building Occupied	As of March 31, 2021 GLA (sqm)	% of total Portfolio GLA[2]	% of total occupied GLA[3]
1	Refinitiv Asia Pte. Ltd. - Philippine Branch	BPO	Financial markets data and infrastructure	8/10 Upper McKinley Building; 18/20 Upper McKinley Building; Two World Square; Three World Square	14,252.4	6.4%	6.8%
2	IBM Business Services Inc.	BPO	Procurement/Financial consulting services	1800 Eastwood Avenue	13,897.9	6.2%	6.7%
3	Ingram Micro Philippines BPO LLC	BPO	Supply chain and technology solutions	Two World Square; Three World Square	10,568.6	4.7%	5.1%
4	RMS Collect Phils., Inc.	BPO	Data Solutions & Analytics/Customer Interaction Solutions/Product Support Services	Richmonde Tower; One Techno Place Iloilo	9,944.0	4.4%	4.8%
5	Microsourcing Philippines, Inc.	BPO	IT deployment and support/Recruitment, HR, Payroll and Facilities Management/Legal and Compliance	1880 Eastwood Avenue; E-Commerce Plaza	9,089.6	4.1%	4.4%
6	NTT Data Services Philippines Inc. (formerly Dell Systems Phils. Inc.)	BPO	AI/IT Investment support	1800 Eastwood Avenue	7,296.1	3.3%	3.5%
7	Wns Global Services Philippines Inc.	BPO	Customer services/Finance and Accounting/Governance/Legal services/Procurement/Research	1880 Eastwood Avenue	6,949.8	3.1%	3.3%
8	Google Services Philippines, Inc.	BPO	Internet-related services and product	8/10 Upper McKinley Building	6,918.0	3.1%	3.3%
9	Cognizant Technology Solutions Philippines, Inc.	BPO	Business consulting/Information Technology/ Outsourcing services (Finance & Healthcare)	18/20 Upper McKinley Building	6,918.0	3.1%	3.3%
10	Iqvia Solutions Operations Center Philippines, Inc.	BPO	Solutions for healthcare organizations and major pharmaceuticals	One World Square	5,058.9	2.3%	2.4%
			TOTAL		**90,903.3**	**40.7%**	**43.6%**

Notes:

(1) We have excluded hotel tenants and related parties from the determination of our Top 10 Tenants.

(2) Total Portfolio GLA as of March 31, 2021 was 224,430.8 sqm.

(3) Total occupied GLA as of March 31, 2021 was 208,656.1 sqm.

As detailed below, a modest portion of our Properties are leased by the following related parties (with the corresponding percentage to total GLA as of March 31, 2021): (1) Megaworld Corporation (2.7%), (2) Suntrust Properties Inc. (1.6%); (3) Emperador Distillers Inc. (1.5%), (4) Asia Affinity Property Management (0.3%), and (5) Anglo Watsons (0.1%).

High quality asset management services, consistency in attending to tenants' operational requirements, among others, enable our Company to maintain high Retention Rates. For 2019, our Company's Properties had a Retention Rate of 73.3%. In 2020, despite the COVID-19 pandemic, our Company's Properties still had an 87.7% Retention Rate. As of June 5, 2021, for the year-to-date, the Retention Rate was 71.1%. This shows a strong indication of the long-standing and close relationships that the Company has with its tenants, further supporting the long-term certainty and viability of the Portfolio's cash flows.

Our Sponsor, Megaworld, is one of the leading property developers in the Philippines and is primarily engaged in the development of large scale mixed-use planned communities, or community townships, that comprise residential, retail and office developments and integrate leisure, entertainment and educational/training components. According to LPC, as of March 31, 2021, Megaworld Corporation is the biggest developer of office spaces in the Philippines with about 1.4 million sqm of office space GLA. As of March 31, 2021, it had 26 master-planned integrated urban townships, integrated lifestyle communities and lifestyle estates across the country featuring a real estate portfolio of residential condominium units, subdivision lots and townhouses, as well as office space and leasable mall and retail space. Megaworld is listed on the PSE and as of March 31, 2021 had a market capitalization of ₱114.1 billion (US$2.4 billion). See "*The Sponsor*."

COMPETITIVE STRENGTHS

Our Company believes that it benefits from the following competitive strengths:

Strategic location of REIT assets in integrated "live-work-play" townships pioneered by the Sponsor which have developed into new unique CBDs and economic growth areas

The Sponsor, Megaworld, was among the first in the Philippines to identify the growing demand for mixed-use community township developments, targeting particularly the middle-income market. The Sponsor pioneered the "live-work-play" concept with the development of its 18.5-hectare Eastwood City, the first of its kind in the country that allowed residents to live, work, play and learn in one community. Launched in 1997, Eastwood City was the first of its kind in the country which showcased how live, work and play elements complement one another by integrating residential, commercial and office properties, as well as leisure, entertainment and institutional components into walkable communities to form a captive ecosystem. According to LPC, a majority of BPO employees in the country are between 20-40 years old and thus have a greater appreciation for the lifestyle offered by integrated townships. These properties are complemented by well-planned, modern infrastructure and road networks, making them desirable projects for homebuyers and office locators alike.

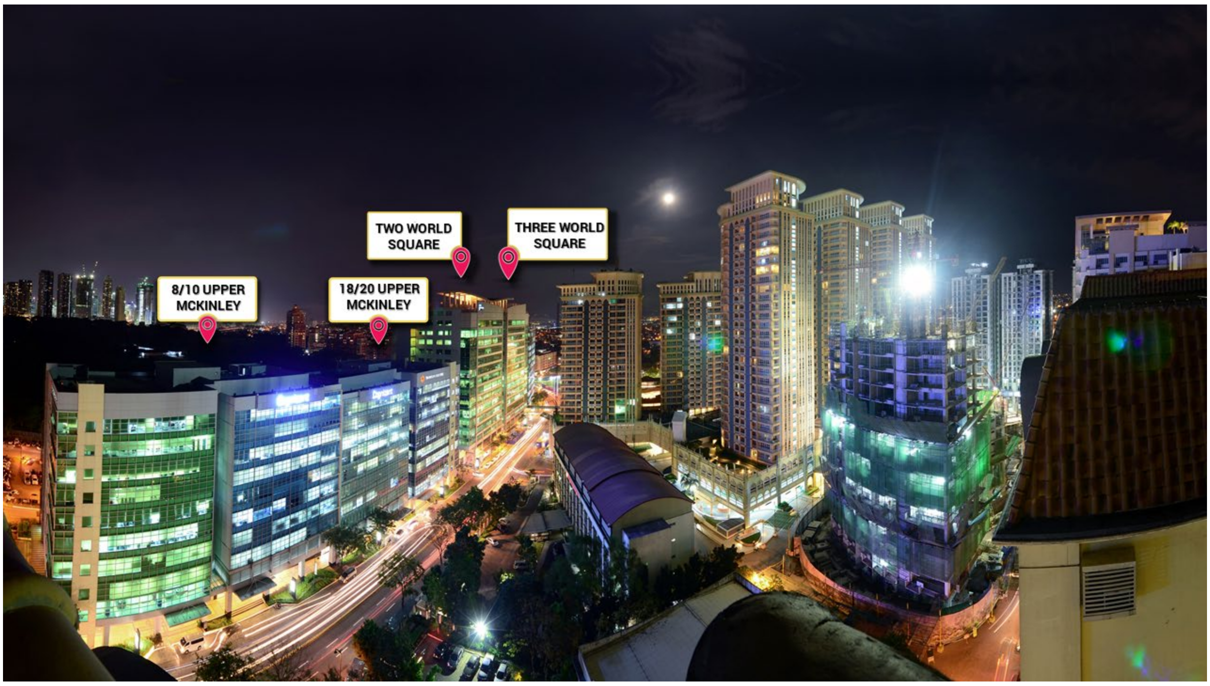
The onset of the COVID-19 pandemic also served to affirm the benefits of the "live-work-play" concept for the townships' various stakeholders. During the lockdowns, BPO operators were able to house their employees in residential condominiums, hotels, and dormitories within the townships, allowing them to safely walk to and from their workplaces. Moreover, the convenience of having supermarkets, convenience stores, pharmacies, and other stores selling essential goods and services within the community was a big boost for the welfare and safety of residents and workers in the township.

Following a broader replication of the "live-work-play" model outside Quezon City, the Sponsor has catalyzed the creation of thriving mini-cities in strategic locations around the Philippines. Our Company's Properties are found in three major townships developed by the Sponsor, namely: Eastwood City, McKinley Hill, and Iloilo Business Park.

Eastwood City is the Sponsor's first township development that showcases the signature "live-work-play" concept. According to LPC, it is also the country's first "cyberpark", after being the pioneer recipient of the Special Economic Zone for Information Technology status from the Philippine Economic Zone Authority (PEZA) in the late '90s, which gave birth to the Philippine BPO industry. Spanning 18.5 hectares of property in Libis, Quezon City, Eastwood City is now home to 24 residential condominium towers, 10 corporate office buildings, a lifestyle mall, educational institutions, medical clinics, fitness centers, al fresco retail parks, open leisure parks, a church, as well as its own designated police station and a fire station.

Its strategic location along Circumferential Road No. 5, popularly known as C-5, which is one of Metro Manila's most expansive avenues that connects the South Luzon Expressway (expressway connecting Metro Manila to South Luzon) to various major CBDs such as Ortigas and Bonifacio Global City ("**BGC**"), and the northern part of Metro Manila, makes it an ideal location for businesses given the competitive rental rates. It is also within the residential radius of three (3) major cities: Quezon City, Pasig City, and Marikina City, and also in close proximity to the eastern province of Rizal where there is also a big concentration of residential communities. Towards the north of Eastwood City are some of the country's major colleges and universities, such as the University of the Philippines-Diliman, Ateneo de Manila University, and Miriam College. The area is therefore highly strategic for businesses to conveniently tap the emerging labor force.

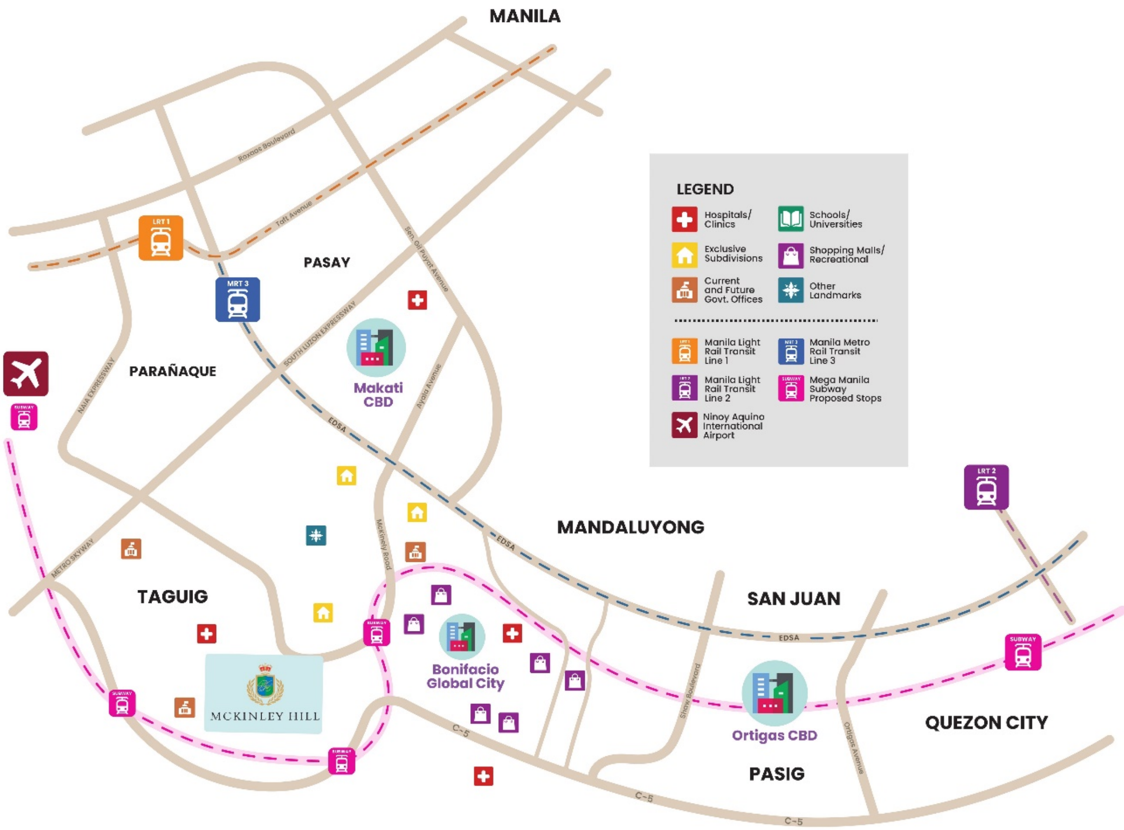
The planning of Eastwood City adopted an integrated approach to urban planning, with an emphasis on the development of the Eastwood City Cyberpark to provide offices with infrastructure such as high-speed telecommunications and 24-hour power supply that support BPOs and other technology-driven businesses. According to the Sponsor's estimates, as of the date of this REIT Plan, the township is home to around 85,000 workers and 30,000 residents. Its Eastwood Mall is one of Quezon City's major shopping and dining destinations which was awarded twice as "Best Shopping Center of the Year" in 2010 and 2012 by the Philippine Retailers Association.



McKinley Hill is a 50-hectare integrated urban township inside Fort Bonifacio, a former military camp in Taguig City. It is a predominantly Italian-themed sustainable community that integrates residential, office, commercial and retail, sports and recreation, as well as institutional components into a mini-city. Among the Sponsor's various townships in Metro Manila, McKinley Hill offers the widest choices of residential properties, offering subdivision lots in its exclusive McKinley Hill Village, villa-type enclaves, gated condominium clusters, and high-rise condominium towers. The township has also been known for its rows of campus-type office buildings that are all PEZA accredited special economic zones for information technology, resembling those in Silicon Valley. Companies that occupy most of the office properties in McKinley Hill are primarily involved in software development, data encoding and conversion, customer service, call center operations, system integrations, as well as IT and computer system support.

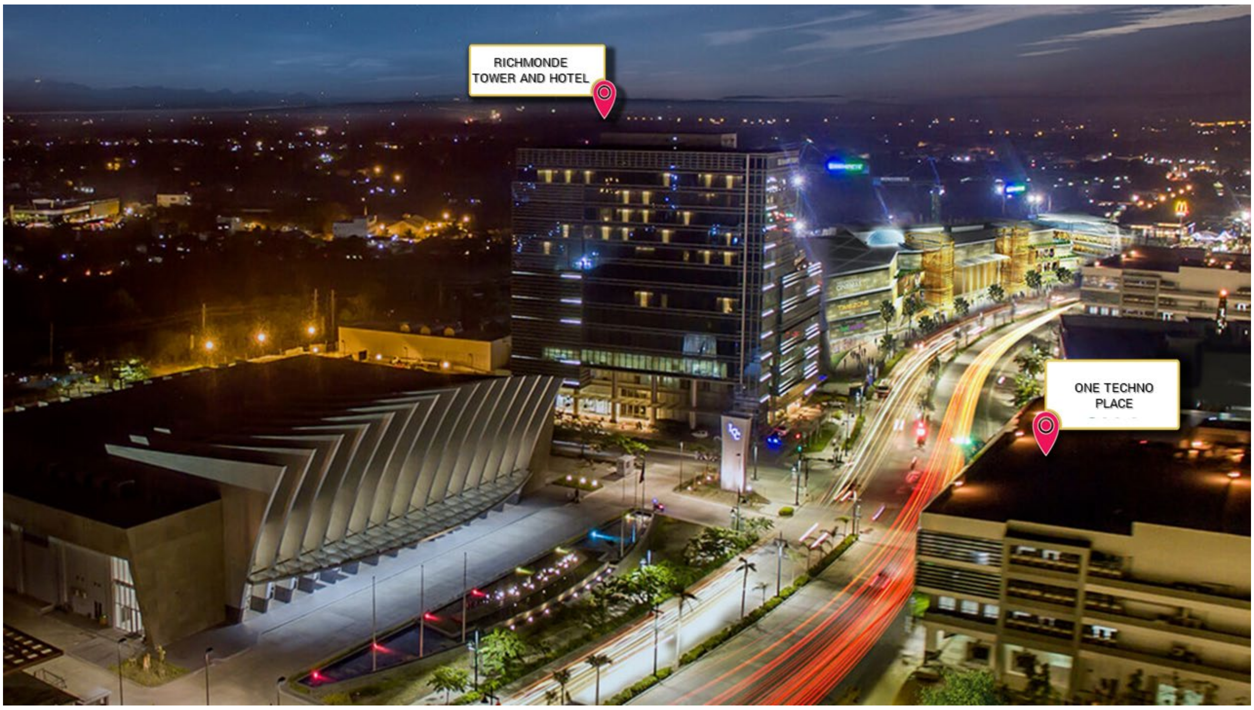
At the heart of McKinley Hill is the Venice Piazza and the Venice Grand Canal Mall, highlighted by its replica of the famous Venice waterways and the Ponte Rialto Bridge. The mall allows shoppers and visitors to ride gondolas steered by singing gondoliers, an attraction that has earned it the title of the "most romantic mall in the Philippines." On both sides of the canal are restaurants and bars, and multi-level verandas that offer mall-goers picturesque views of the entire waterway. In 2017, the mall was awarded the "Best Retail Architectural Design" during the Philippines Property Awards.

McKinley Hill is also home to three (3) renowned international schools: the Chinese International School, the Korean International School, and Enderun College, a hotel management institution affiliated with Les Roches of Switzerland. Four foreign embassies also found a home in the township, namely, the British Embassy, the Italian Embassy, the Embassy of the Republic of Korea, and the Embassy of the United Arab Emirates. McKinley Hill also hosts one of the country's most modern football stadiums—the McKinley Hill Stadium—which now serves as the training base of the United Football League (UFL) and the Philippine Rugby Football Union.



The township is also directly connected to C-5 Road and is easily accessible to other Metro Manila main road arteries such as EDSA and key expressways such as the South Luzon Expressway, the Metro Manila Skyway, and is 30 minutes away from the NAIA via the NAIA Expressway, which principally serves the country's main international airport of the country. Connectivity to the township is also expected to further improve with the expansion of Lawton Avenue, which directly connects the township to the airport, and the upcoming completion of the Sta. Monica-Lawton Bridge, which will provide shorter travel time between BGC and Pasig City. A proposal to build a monorail connecting the Metro Rail Transit's Guadalupe Station to BGC will further improve accessibility to McKinley Hill. A station of the Mega Manila Subway will also be built within the periphery of the township, complementing the existing public transport hub inside the township.

McKinley Hill will also be in close proximity to major government offices in Taguig City such as the Supreme Court of the Philippines and the Senate of the Philippines, both of which are expected to be completed by 2022.



Iloilo Business Park is a 72-hectare integrated urban township in the district of Mandurriao, Iloilo City. This is envisioned to be the new central business district of Western Visayas, strategically located at the heart of Iloilo City, which according to LPC, is regarded as a center for education and the largest source of quality labor in western Visayas. Iloilo City is also one of the fastest growing highly urbanized cities in the Philippines, having one of the country’s most modern airports and one of the country’s busiest seaports, along with wide roads and river-side boulevards.

Iloilo City also serves as a gateway to the rest of Panay Island and other nearby islands, and a regional center for various government agencies and offices. It is easily accessible for other key destinations in Western Visayas: Iloilo is a one-hour ferry ride to another regional urban center, Bacolod City, and a four-hour drive to Caticlan, the gateway to one of the best beach islands in the world according to various publications — Boracay Island.

Additionally, Iloilo City is home to Iloilo International Airport, which was opened for commercial traffic on June 14, 2007, thus replacing the older Mandurriao Airport that served the area for over 50 years. It is the first airport in both Western Visayas and Panay Island to be built to international standards, and is classified as an international airport by the Civil Aviation Authority of the Philippines. The Iloilo International Airport's accessibility and ability to encourage international flights was paramount in improving the city's urbanization and attracting more BPO interest in the area.

Currently, the Sponsor has plans to further develop Iloilo Business Park into a business, tourism, commercial and residential hub, highlighted by clusters of residential condominiums, BPO office buildings, first-class hotels, lifestyle mall and retail strips, a contemporary art museum, and a convention center, which is the biggest in the entire Visayas and Mindanao. Around 54 hectares of the entire township are PEZA-registered as a special economic zone, which allows its locators and registered enterprises to benefit from special tax rates and incentives. Our Company's Richmonde Hotel Iloilo is also at the heart of the Iloilo Business Park, and is located in close proximity to the Iloilo International Airport. Our Company's Richmonde Hotel Iloilo, strategically located right next door to the iconic Iloilo Convention Center, boasts of a prestigious address right at the heart of the Philippine's City of Love. The newly renovated Iloilo International Airport and expanded airport road makes our hotel's location optimal for international visitors and workers of the surrounding BPO buildings. One of the township's main attractions is the Festive Walk Parade, a 1.1-kilometer commercial and retail strip that currently holds the title as the longest shop-and-dine strip in the whole of Visayas and Mindanao. Iloilo Business Park is one of Megaworld's most awarded townships, after winning the "Best Township Development for Asia" at the 2018 Asia Property Awards, and the "Best Township Development in the Philippines" at the 2018 Philippines Property Awards.

Exposure to Grade A PEZA-accredited office, hotel, retail and other assets with high sustainability standards

The Company currently owns 10 Grade A office, hotel, retail and other buildings that are PEZA-accredited and/or located in PEZA-registered zones, thereby enabling its tenants to benefit from certain tax incentives. Qualified tenants that are located within the PEZA-registered Properties or PEZA-registered zones are entitled to the following incentives pursuant to Republic Act No. 7916, as amended by Republic Act No. 8748, otherwise known as the Special Economic Zone Act of 1995. According to LPC, a major factor considered by IT and BPO tenants in their leasing decisions is the availability of tax incentives, which PEZA accreditations are able to provide.

In June 2019, the President of the Philippines also signed Administrative Order No. 18 which halts the registration of new economic zones in Metro Manila with the goal of boosting the development of new ecozones in the provinces. According to LPC, this increases the value of existing PEZA-accredited buildings in Metro Manila given the supply scarcity and the resilient demand from BPO tenants.

Our Properties have a total GLA of 224,430.8 sqm in gross leasable area, with an overall occupancy rate of 93.2% as of March 31, 2021.

	Year Completed	Office Grade(1)	GLA (sqm)	% of Total Portfolio GLA	Occupancy Rate (%)(2)	Appraised Value (₱ million)(2)	% of Appraised Value
A. Metro Manila							
1800 Eastwood Avenue	2006	A	34,738.2	15.5%	98.3%	7,706.0	15.6%
1880 Eastwood Avenue	2007	A	33,743.8	15.0%	77.0%	6,790.0	13.8%
One World Square	2007	A	30,481.7	13.6%	98.4%	8,018.0	16.3%
Two World Square	2009	A	21,286.4	9.5%	94.1%	5,501.0	11.2%
Three World Square	2010	A	21,216.6	9.5%	99.7%	5,190.0	10.5%
E-Commerce Plaza	2008	A	20,940.2	9.3%	100.0%	4,279.0	8.7%
8/10 Upper McKinley Building	2010	A	19,937.5	8.9%	76.9%	4,660.0	9.4%

18/20 Upper McKinley Building	2009	A	19,413.8	8.6%	99.9%	4,337.0	8.8%
Subtotal – Metro Manila			**201,758.2**	**89.9%**	**92.7%**	**46,481.0**	**94.3%**
B. Iloilo							
One Techno Place Iloilo	2017	A	9,548.7	4.3%	95.1%	1,170.0	2.4%
Richmonde							
Richmonde Tower	2016	A	6,354.8	2.8%	100.0%	866.0	1.7%
Richmonde Hotel Iloilo	2016	A	6,769.1	3.0%	100.0%	799.0	1.6%
Subtotal – Iloilo			**22,672.6**	**10.1%**	**97.9%**	**2,835.0**	**5.7%**
Overall			**224,430.8**	**100.0%**	**93.2%**	**49,316.0**	**100.0%**

Notes:
(1) According to LPC, Grade A office buildings boast of high-quality interior designs and exterior finishing and are centrally located in major business districts. Grade A buildings typically feature floor plates of not less than 1,000 sqm. Grade A buildings also feature a good tenant mix and profile.
(2) As of March 31, 2021.

The Properties are also geared toward sustainability for a positive impact on the environment and the community. Our buildings observe standards regarding:

- *Energy efficiency*. Our buildings utilize energy-efficient equipment, and we continue to upgrade equipment to increase their energy efficiency. Our Properties utilize energy-efficient elevators and highly efficient LED lighting equipped with light and movement sensors. Energy-efficient power transformers and distribution systems are also being used across our buildings.
- *Natural ventilation and air quality*. Ventilation in our Properties has been increasingly prioritized during the pandemic situation.
- *Heat transfer reduction*. Our buildings adopt measures to reduce heat transfer, such as choosing proper roof color, placement of roof insulation materials and construction of roof gardens which yields significant energy savings.
- *Water efficiency*. Our buildings use efficient cisterns and overhead tank water distribution systems which ensure continuous water supply.
- *Water recycling*. Our buildings implement sustainable water recycling systems via rainwater harvesting that saves on annual water consumption. The harvested water is set aside for various purposes such as watering plants and cleaning pavements.
- *Solid waste management*. Our buildings' material recovery facilities have been designed to align with the internal target of the Alliance Global Group, Inc. (the major shareholder of the Sponsor) to attain a zero-plastic footprint by 2030.
- *Landscaping and green/open spaces*. The green roofs, open spaces and pocket gardens featured in our buildings not only allow the recharging of the natural ground water reservoir, control stormwater surface run-off, and cool the building surroundings, but also provide indoor to outdoor connectivity for the occupants.

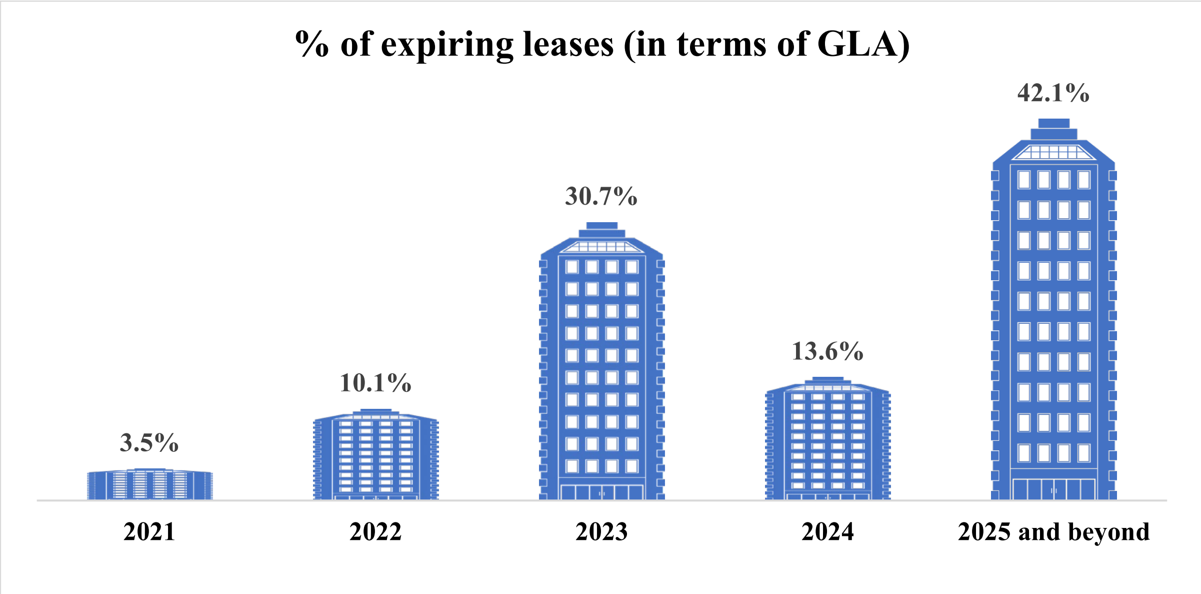
In 2019, the Sponsor also decided to upgrade its townships by committing to more sustainable development programs in the coming years, including aspiring to make all of its townships fully reliant on renewable energy sources by 2025. Complementing this sustainability initiative is Megaworld's "iTownships," the Sponsor's program to future-proof its townships. In line with this, the Sponsor has begun to incorporate smart technology, digital technology, design innovations, and connectivity capabilities into its projects to enhance their green and sustainable features. Our properties, which are located in the Sponsor's townships, also stand to benefit from these initiatives.

Quality tenant base anchored mainly by reputable MNCs and leading BPO Companies with favorable lease covenants that provide stability

The Sponsor has been instrumental in developing the BPO industry in the Philippines. About 73% of its office gross leasable area of 1.4 million sqm are currently occupied by the country's leading BPO players, providing easy access to talent for businesses looking to outsource parts of their operations.

Our Properties feature high-speed connectivity, robust IT infrastructure, and uninterrupted power supply with back-up generators, as well as building security, monitoring and maintenance systems, making them ideal for BPO operations. Our Properties also offer larger floorplates to cater to its primary target group as BPO tenants tend to require larger spaces which are not available in smaller buildings. With our Company's focus on catering specifically to the BPO industry, we do not have any tenants in the POGO industry as of the date of this REIT Plan. This has afforded our Properties stability in tenancy owing to the high BPO tenancy profile and shielded our Properties from the impact of the fluctuating lease space-demand from the POGO industry.

These have made big BPO players such as Refinitiv, IBM, and Google choose our Properties over others in the market. IBM and Accenture are celebrating their 20 and 15 years of tenure, respectively, with the Megaworld Group this year, having been anchor tenants of the Megaworld Group in Eastwood City since its early beginnings as the first PEZA IT Cyberpark in the country. Our Company's typical BPO tenant executes long-term lease contracts of 5 to 10 years, providing the Properties with stability of rent and high rental income visibility. As of March 31, 2021, our overall portfolio has an overall occupancy rate of 93% and a weighted average lease expiry (WALE) of 4.7 years (by GLA). About 3.5% of our occupied GLA will be expiring this year, while another 10.1% will expire in 2022. Based on our experience, most leases are typically renewed or quickly replaced by a new tenant within 2-3 months; thus, attesting to the high occupancy rates enjoyed by our properties.



As of March 31, 2021.

High quality asset management services, consistency in attending to tenants' operational requirements, among others, enable our Company to maintain high retention rates. For 2019, the Company's Properties had a Retention Rate of 73.3%. In 2020, despite the COVID-19 pandemic, our Company's Properties had an 87.7% Retention Rate. As of June 5, 2021, for the year-to-date, our Company's Properties had a Retention Rate of 71.1%. This shows a strong indication of the long-standing and close relationships that the Company has with its tenants, further supporting the long-term certainty and viability of the Portfolio's cash flows.

According to LPC, the Philippines continues to be one of the top BPO destinations internationally due to favorable tax incentives, and its high-quality, English-speaking labor force with competitive wages. The Company expects to continue to grow and strengthen its positive relationship with its major office tenants who are among the biggest players in the BPO industry. Given the desirable tenant profile of our Properties, we have historically enjoyed high occupancy rates and stable rental revenues. The Company believes that the Properties would be resilient even in times of an economic downturn as evidenced by its performance during the peak of the pandemic in 2020, when the Properties continued to operate to primarily service its BPO locators which were also considered by the government as providers of essential services and were allowed to resume in-office operations even during the strictest quarantine periods. BPO operators provide constant round the clock service delivery, and this work is best supported by robust infrastructure and facilities from the office, rather than in a work-from-home environment, given network conditions in the Philippines. As a result, there have been no instances of default among the Company's tenants despite the challenges faced during the COVID-19 pandemic.

As the main avenue for organic growth, the Company's current Committed Leases structurally provide opportunities for growth, and this is primed to continue into the future. The total Gross Revenue from the Properties is expected to increase continuously primarily due to higher rental rates obtained on new leases or on renewals of existing leases and built-in rental escalations. The Properties have contractual fixed lease rental escalations of 5% to 10% per annum, providing for a secure source of organic growth and clear income visibility. Additionally, the Company also has the ability to lease up the assets—raising the overall occupancy of the buildings. Leases for around 70% of the Company's GLA will expire in 2023 and beyond, thus providing predictability in cash flow over the next few years. The Company has also been able to post renewal rates of over 77% for its existing tenants since 2018.

The Company is also not subject to the effects of seasonality or other sales cycles, as its rent terms are fixed and apply uniformly (subject to individually negotiated escalation rates) across the lease terms. Additionally, tenants of office properties typically pay a security deposit equal to three months' rent and advance rent equal to three months. Meanwhile, tenants of commercial properties usually pay a security deposit equal to six months' rent and advance rent equal to one month. All of these advance rents are forfeited in case the tenant pre-terminates the lease agreement without prior notice or before the expiry of the lease term without cause. Such stable cash flows have, and will continue to, allow the Company flexibility in maintaining and upgrading the Properties to continually satisfy its tenants needs; in seeking further investment opportunities, whether expansion of the Company's existing Properties or acquisition of additional properties; and in making regular distributions to the Company's Shareholders.

We expect the above-mentioned factors to translate into stronger financial performance for the Company, with rental income projected to grow by 5.0% from 2022 to 2023.

Diversified portfolio in terms of tenant base and asset location

The Company's portfolio minimizes concentration risk as the Properties are located in three sites, with Eastwood City and McKinley Hill found within Metro Manila, and Iloilo Business Park located in Iloilo City, which, according to LPC, is one of the fastest growing urban centers outside of the Philippine capital.

Furthermore, the Company's extensive tenant base ensures that rental income performance will not be unduly influenced by any one of the Company's tenants. As of the date of this REIT Plan, no single tenant of the Company contributes more than 6.4% of Portfolio GLA, and no single tenant accounts for the majority of revenue of all the assets.

Our Top 10 Tenants, which include major international BPOs, accounted for 40.7% of our total Portfolio GLA as of March 31, 2021 and contributed almost 50.0% of Rental Income for the nine months ended March 31, 2021. None of the tenants individually contributed more than 6% of our total GLA, or 7% of Rental Income for the nine months ended March 31, 2021.

	Tenant[(1)]	Sector	Description	Building Occupied	As of March 31, 2021 GLA (sqm)	% of total Portfolio GLA[(2)]	% of total occupied GLA[(3)]
1	Refinitiv Asia Pte. Ltd. - Philippine Branch	BPO	Financial markets data and infrastructure	8/10 Upper McKinley Building; 18/20 Upper McKinley Building; Two World Square; Three World Square	14,252.4	6.4%	6.8%
2	IBM Business Services Inc.	BPO	Procurement/Financial consulting services	1800 Eastwood Avenue	13,897.9	6.2%	6.7%
3	Ingram Micro Philippines BPO LLC	BPO	Supply chain and technology solutions	Two World Square; Three World Square	10,568.6	4.7%	5.1%
4	RMS Collect Phils., Inc.	BPO	Data Solutions & Analytics/Customer Interaction Solutions/Product Support Services	Richmonde Tower; One Techno Place Iloilo	9,944.0	4.4%	4.8%
5	Microsourcing Philippines, Inc.	BPO	IT deployment and support/Recruitment, HR, Payroll and Facilities Management/Legal and Compliance	1880 Eastwood Avenue; E-Commerce Plaza	9,089.6	4.1%	4.4%
6	NTT Data Services Philippines Inc. (formerly Dell Systems Phils. Inc.)	BPO	AI/IT Investment support	1800 Eastwood Avenue	7,296.1	3.3%	3.5%
7	Wns Global Services Philippines Inc.	BPO	Customer services/Finance and Accounting/Governance/Legal services/Procurement/Research	1880 Eastwood Avenue	6,949.8	3.1%	3.3%
8	Google Services Philippines, Inc.	BPO	Internet-related services and product	8/10 Upper McKinley Building	6,918.0	3.1%	3.3%
9	Cognizant Technology Solutions Philippines, Inc.	BPO	Business consulting/Information Technology/ Outsourcing services (Finance & Healthcare)	18/20 Upper McKinley Building	6,918.0	3.1%	3.3%
10	Iqvia Solutions Operations Center Philippines, Inc.	BPO	Solutions for healthcare organizations and major pharmaceuticals	One World Square	5,058.9	2.3%	2.4%
			TOTAL		**90,903.3**	**40.7%**	**43.6%**

Notes:

(1) We have excluded hotel tenants and related parties from the determination of our Top 10 Tenants.

(2) Total Portfolio GLA as of March 31, 2021 was 224,430.8 sqm.

(3) Total occupied GLA as of March 31, 2021 was 208,656.1 sqm.

It should also be noted that the Company's tenants represent a variety of industries including but not limited to, financial services, health care services, e-commerce, cement, and food and beverage industries. This provides additional resilience to the Company's rental income generation in case of any adverse event affecting any single industry.

Strong backing from Megaworld Corporation as Sponsor. Megaworld is the No. 1 office real estate developer in the Philippines in terms of market share with proven track record and brand equity.

Megaworld's strength lies in its proven track record as a market innovator with unparalleled ability to anticipate market trends ahead of its competitors in the Philippine property development industry. Megaworld was among the first developers to identify the demand for township developments in the country. In 1996, Megaworld was also the first Philippine property company to develop an international sales network targeting overseas Filipinos for residential sales. In addition, the Sponsor was also among the first developers in the Philippines to introduce flexible design options and payment plans, targeting residential sales to the significant overseas Filipino market.

As confirmed by LPC, in the office leasing sector, Megaworld is the largest developer and owner of office buildings in the Philippines as of December 31, 2020. As of March 31, 2021, Megaworld has a total GLA of 1.4 million sqm in leasable office space, providing the Company access to a high-quality potential pipeline for growth. Moreover, the Sponsor has been a leader in developing office space with infrastructure and services capable of supporting it and BPO businesses. For example, the Eastwood City Cyberpark development was the first of its kind to obtain registration as a PEZA-designated economic zone for it and BPO companies. In 2005, Megaworld introduced development plans for the first major mass transit-oriented residential community in the Philippines, with interconnections to mass transit systems and a land transportation hub in the Cubao, Quezon City business district. Megaworld believes that its identification of areas of growth in the property market was instrumental to its continued financial success during the Asian financial crisis and through various stages of the Philippines' economic development, particularly during periods when most sectors of the property market contracted.

The Sponsor's ability to anticipate market trends and understand the needs of real estate consumers, coupled with its strong financial position, continue to assist it in its efforts to accurately predict trends in market demand, levels of supply and to plan and design its property developments accordingly. Thus, since its incorporation in 1989, Megaworld has launched more than 725 residential buildings, 72 premier offices, 24 lifestyle malls and commercial centers and 12 hotel brands including condotels as of March 31, 2021.

The Sponsor's long and proven track record of on-time project delivery continues to attract and maintain a high quality tenant profile. Megaworld's track record and established market position has made it one of the most recognized brands in the industry both within and outside the Philippines. For the last five years, Megaworld has been consistently recognized as the Philippines' leading real estate developer through the various awards and accolades it has received from both local and international award-giving bodies, which include, among others:

MEGAWORLD

For its various achievements, Megaworld has been recognized by numerous institutions and prestigious international award organizations:

2016

PHILIPPINES PROPERTY AWARDS

Philippines Property Awards

BEST DEVELOPER OF THE YEAR

FIABCI-PHILIPPINES INTERNATIONAL REAL ESTATE FEDERATION

FIABCI Property and Real Estate Excellence Awards

DEVELOPER OF THE YEAR

BCI ASIA

BCI Asia Awards

TOP DEVELOPERS IN THE PHILIPPINES

2017

PHILIPPINES PROPERTY AWARDS

Philippines Property Awards

BEST DEVELOPER OF THE YEAR

FIABCI-PHILIPPINES INTERNATIONAL REAL ESTATE FEDERATION

FIABCI Property and Real Estate Excellence Awards

OVERALL OUTSTANDING DEVELOPER

EUROMONEY REAL ESTATE AWARDS

EuroMoney Real Estate Awards

BEST OVERALL DEVELOPER

2018

PropertyGuru ASIA PROPERTY AWARDS

Asia Property Awards

BEST DEVELOPER IN ASIA

PHILIPPINES PROPERTY AWARDS

Philippines Property Awards

BEST DEVELOPER OF THE YEAR (Hall of Fame)

INTERNATIONAL FINANCE AWARDS *Celebrating Excellence*

International Finance Awards

BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES

FIABCI-PHILIPPINES

FIABCI Property and Real Estate Excellence Awards

OUTSTANDING DEVELOPER (Hall of Fame)

THE OUTLOOK

The Outlook - Philippine Buyers' Choice Property Awards

BEST DEVELOPER OF THE YEAR FOR VISAYAS AND MINDANAO

2019

INTERNATIONAL FINANCE AWARDS *Celebrating Excellence*

International Finance Awards

BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES

GLOBAL GOOD GOVERNANCE 3G AWARDS

Asia Leaders Awards

REAL ESTATE COMPANY OF THE YEAR

2020

INTERNATIONAL FINANCE AWARDS *Celebrating Excellence*

International Finance Awards

BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES

3G EXCELLENCE CORPORATE GOVERNANCE AWARD

ASIA Leaders Awards

Global Good Governance Awards

3G CREATIVITY AND INNOVATION AWARD

Megaworld bagged two highly coveted recognitions at the Global Good Governance Awards 2020 held in London that highlighted its efforts on positively impacting the society and helping shaping the nation.

Megaworld was named the 'Real Estate Company of the Year' at the 2019 Asia Leaders Awards for its significant contribution to key developments in the local property development sector.

Megaworld was recognized for pioneering the concept of "Integrated Urban Township" in the Philippines at the International Finance Awards 2018 held in Bangkok, Thailand.

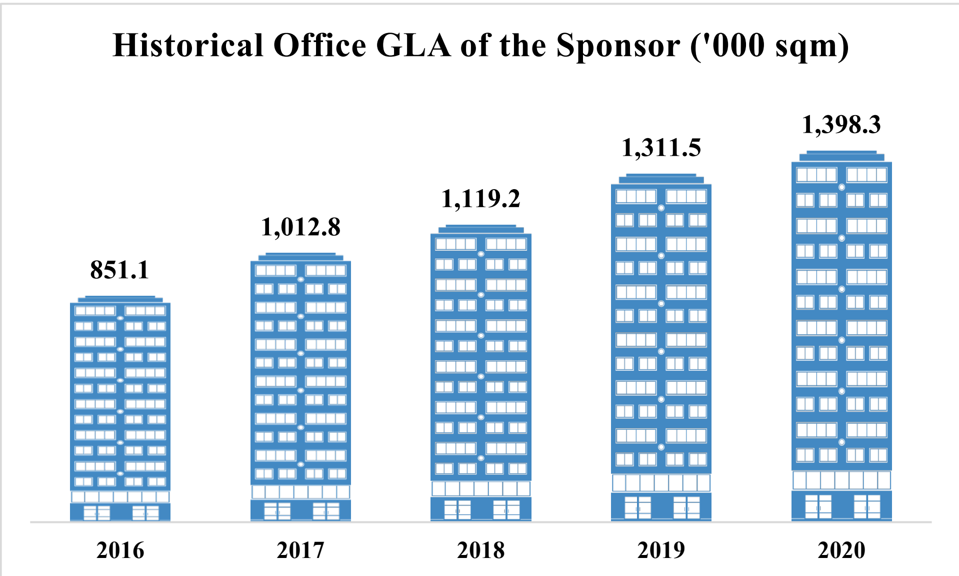
Megaworld chief operating officer Lourdes T. Gutierrez-Alfonso (middle) and then first vice president Kevin L. Tan (right) received the 'Best Developer of the Year' award at the 2016 PropertyGuru Philippines Property Awards.

Our Company is expected to be the flagship REIT platform of the Sponsor, and will be focused on expanding its office property portfolio. However, subject to market conditions, our Company may also explore other types of real estate properties in the market. Beyond the offer, the Sponsor is committed to growing and supporting the long-term viability of our Company. This commitment is demonstrated primarily through: (i) the Sponsor continuing to be a significant shareholder in the Company upon completion of the Offer, and directly holding at least 51% of the Company's issued and outstanding capital stock (assuming the over-allotment option is fully exercised); (ii) the Company's directors and executive officers having extensive business experience with the Sponsor or other members of Megaworld; and (iii) our Company's fund manager and property manager both being wholly-owned subsidiaries of the Sponsor.

The association between the Company and the Sponsor offers various growth avenues and efficiencies for the Company. The Sponsor's expertise in developing office buildings that cater to BPOs allows the Company's properties to always be best suited for our tenants' needs. Working together with the Sponsor, the Company will have the ability to grow its platform through the acquisition of prime assets from the Sponsor. The Company will be able to continuously leverage on the Sponsor's established relationships, and their real estate expertise to negotiate tenancies and costs which may help further optimize the returns of the Company's portfolio.

Solid growth roadmap with defined robust asset pipeline for future acquisitions

Our Company leverages on the strong support and commitment of the Sponsor. To fuel its growth trajectory, on June 10, 2021, our Company and the Sponsor entered into a Memorandum of Understanding for MREIT to pursue the acquisition of the following quality income-generating assets owned by Megaworld that meet the Company's location selection criteria of its investment strategy to increase potential opportunities for future income and capital growth of the Company in order to secure income growth and provide a Competitive Investment Return to its shareholders. Megaworld, as a real estate leader in developing office space with infrastructure and services capable of supporting IT and BPO businesses, has a total gross leasable area of 1.4 million sqm in leasable office space, providing our Company access to a high-quality pipeline for growth. As the Sponsor continues to grow and develop its office portfolio, its new development presents potential targets, said assets meeting the investment criteria of our Company. The buildings of Megaworld are strategically located in growth areas, in attractive locations, enjoying PEZA zone-accreditation and a stable tenant base.



To this end, on June 10, 2021, our Company and the Sponsor entered into a Memorandum of Understanding for MREIT to pursue the acquisition of the following quality income-generating assets (the "**Income-generating Assets**") owned by Megaworld that fit within the Company's location selection criteria of its investment strategy to increase potential opportunities for future income and capital growth of the Company in order to secure income growth and provide a Competitive Investment Return to its shareholders:

Building	Location / Township	GLA (in sqm)
Techno Plaza 1	Eastwood City, Quezon City	15,057.5
Cyber One Building	Eastwood City, Quezon City	27,236.1
One Fintech Place	Iloilo Business Park, Iloilo City	18,232.9
Two Techno Place	Iloilo Business Park, Iloilo City	10,808.9
Total		**71,335.4**

Subject to compliance with the RA 9856 (REIT Act of 2009) and SEC MC No. 1, Series of 2020 otherwise known as the Revised IRR of RA 9856 (REIT Act of 2009), to include, among others, completion of the appraisal/valuation by an accredited independent property valuer and the approval by their respective related party committees and boards of directors, our Company and the Sponsor have agreed to execute the definitive agreement(s) for the cash acquisition of three out of the four Income-generating Assets no later than the fourth quarter of 2021 to be funded primarily by debt. These assets were not included in the "Profit Projection" section. The Company and the Sponsor continue to study the accretive value and timing of the proposed acquisition of the 4th Income-generating Asset. We do not expect the Fund Manager to receive any fees relating to the intended acquisition of the Income-generating Assets. The definitive agreement(s) shall be executed no later than December 31, 2021, unless such date is mutually extended by the parties (the "**Closing Date**"), and shall include, among others, the following essential terms and conditions:

(i) The Income-generating Assets shall be used solely for office, retail and other leasing activities;

(ii) Simultaneous with the effectivity of the acquisition of the Income-generating Assets, an agreement shall be entered into for the lease of the land on which the Income-generating Assets stand;

(iii) The Company and the Sponsor shall execute a Deed of Assignment of Leases assigning all of the Sponsor's rights and interests in and to the lease agreements over portions of the Income-generating Assets leased out to various entities. The assignment includes, but is not limited to, the right to receive and collect from the lessees all monies and payments for rental, taxes, utilities, association dues and other assessments, as well as security deposits and advance rental payments arising from the lease contracts;

(iv) The Sponsor shall assign to the Company all special and/or economic incentives applicable to the Income-generating Assets;

(v) The Company and the Sponsor agree that the composition of the Income-generating Assets may be amended; provided, the amendment is made no later than 60 days prior to the Closing Date, the replacement Income-generating Assets meet or exceed the Company's financial and strategic investment criteria and the cost of due diligence; and, the valuation of the replacement Income-generating Assets is borne by the amendment-initiating party; and

(vi) Should the Company decide to sell and dispose the Income-generating Assets in the future, the Company shall notify the Sponsor in writing of its intention to sell within 180 days before the intended sale and Megaworld, or its designated assignee and/or successor-in-interest, shall have a period of 120 calendar days from receipt of such written notice within which to exercise its Right of First Refusal. Parties agree that the Right of First Refusal of the Sponsor is a material covenant.

As opportunity arises, our Company may choose to diversify to other high-growth geographic areas like Cebu, Bacolod, and Pampanga, and other growth areas in the country where the Sponsor's townships are located. Diversification plans include investment in other types of real estate properties, to include industrial, logistics, warehouse, other real property sectors that meet the Company's investment criteria for Grade A, centrally-located, stably occupied, and income producing properties.

As of the date of this REIT Plan, the Company has no indebtedness relating to the Properties. This provides the Company room to further improve its capital structure and enhance equity returns further for its investors through the availment of appropriately priced and structured debt to acquire additional properties for the portfolio.

Experienced, committed, passionate and agile leadership and management team with over 240 years of accumulated experience

The Company's management team is composed of individuals who have spent their careers in the Philippine real estate industry and have gained valuable experience as long-time employees of Megaworld. Together with the independent directors of the board, the team has a combined and accumulated work experience of over 240 years.

The management team possesses intimate knowledge of the properties, their competitive strengths and their leasing aspects, having managed the assets since they were initially developed by the sponsor. The Company will benefit from the continuity of service and familiarity of the management team with the assets and the growth commitment of the Sponsor. Additionally, the valuable experience gained in management positions throughout their employment with the Sponsor enhance our Company's management team's ability to understand the dynamic Philippine real estate market and to coordinate seamlessly with the Company's related parties, including the Sponsor.

The experience that the management team and directors of the Company have in real estate development, investment, asset and property management, and finance will benefit the Company. In particular:

- The Company's Chairman, Dr. Francisco C. Canuto, carries with him 25 years of experience in finance and real estate, and holds management positions and board directorships in related companies.

- The President and Chief Executive Officer, Kevin Andrew L. Tan has 20 years experience in commercial real estate and leasing and real estate strategy. Apart from being the CEO of Alliance Global Group, Inc., he currently holds directorships, and is on the board of other listed companies.

- Lourdes T. Gutierrez - Alfonso, with over 30 years of experience in real estate and finance, is the current Chief Operating Officer of the Sponsor. She is a member of Megaworld Corporation's executive committee and sits on the board of related companies.

- Mrs. Katherine L. Tan has over 32 years of experience in real estate and finance and sits on the board of listed companies within the Alliance Global Group, Inc.

- One of the Company's independent directors, Jesus B. Varela, was Chairman of the Philippine Chamber of Commerce and Industry, GS1 Philippines (Barcode of the Philippines) and New Lights Technologies, Inc. and sits as independent director in the boards of various publicly listed companies.

- The Company's independent director, Sergio T. Ortiz-Luis, R. was President of the Philippine Exporters Confederation, Inc. (Philexport) and honorary chairman and treasurer of the Philippine Chamber of Commerce and Industry.

- Mr. Antonio E. Llantada, Jr., with 43 years of combined experience in finance and real estate, is a professor in finance and accounting in Enderun Colleges and Thames International School, and is a guest lecturer in Asian Institute of Management School of Executive Education and Lifelong Learning.

- The Company's treasurer, Giovanni C. Ng, current finance director and senior vice president of Megaworld Corporation, has a 25-year track record in finance and real estate.

- The Company's Corporate Secretary, Atty. Maria Carla T. Uykim carries with her more than 15 years real estate legal experience having been with the Sponsor's legal and compliance team which handles negotiations and legal documentation of land acquisitions, leases, joint ventures, permit and license applications and various real estate-related functions.

Key Officers	Position	Track Record	Finance	Fund Management	Property Management	Real Estate
Francisco C. Canuto	Chairman of the Board	25	✓			✓
Kevin Andrew L. Tan	President and Chief Executive	20				✓

Key Officers	Position	Track Record	Finance	Fund Management	Property Management	Real Estate
	Officer / Director					
Katherine L. Tan	Director	32				✓
Lourdes T. Gutierrez-Alfonso	Director	30	✓		✓	✓
Jesus B. Varela	Independent Director	35				✓
Sergio R. Ortiz-Luis, Jr.	Independent Director	15				✓
Antonio E. Llantada, Jr.	Independent Director	43	✓			✓
Giovanni C. Ng	Treasurer	25	✓	✓		✓
Maria Carla T. Uykim	Corporate Secretary	15			✓	✓
Combined Experience in years		**240**				

KEY STRATEGIES

The Company's primary objective is to increase shareholder value, and it plans to achieve this through the implementation of the following strategies:

- Drive organic growth through proactive asset management and enhancement;
- Preserve tenant loyalty through enhanced, reliable and consistent service and support;
- Optimize tenant mix to maximize the desirability of the Properties through sustained leadership as partner of choice;
- Leverage on economies of scale to drive profitability;
- Pursue sustained inorganic growth through well-planned and timed asset acquisition and investments; and,
- Prudent and focused management of capital and risk

Drive organic growth through proactive asset management and enhancement

The Fund Manager will actively manage the Company's property portfolio to generate resilient and steadily growing gross revenues and net operating income, and optimize occupancy levels. The Company believes that in partnership with the Property Manager, the Fund Manager will be able to achieve the foregoing through the following:

- Maintain and enhance asset quality to improve the attractiveness of the Properties and command strong rental rates;
- Develop and execute marketing strategies to promote the Properties;
- Sustain strong and long-term relationships with tenants to ensure continued satisfaction and retention;

- Manage lease renewals and new leases diligently in order to minimize periods of prolonged vacancy due to either lease expiries or early terminations; and,

- Plan, analyze, and optimize tenant mix, rental rates, and policies in relation to industry and market standards.

Preserve tenant loyalty through enhanced, reliable and consistent service and support

To maintain the Company's reputation as the partner of choice in the Philippines for the BPO industry and traditional tenants, the Property Manager and Fund Manager will work collectively to ensure that the tenants in the Properties receive continued and dedicated service. The following will be pursued to execute this strategy:

- Provide high-quality asset management services to maintain and drive high retention rates;

- Facilitate relocation or expansion of tenants according to their operational requirements;

- Rapidly respond to tenants' feedback and enquiries; and,

- Address tenant concerns in a timely fashion.

Optimize tenant mix to maximize the desirability of the Properties

In order to enhance the Properties' appeal to a broad range of office and retail tenants, the Property Manager will monitor the mix of tenants in each of the Properties in relation to industry or market standards and requirements. By having a good mix of tenants in each Property, the Company aims to generate a higher percentage of rental income from returning lessees and ensure sustained growth in rental rates. Generally, the Company targets well-established, corporate and retail clients and seeks to attract them by offering the following:

- Prime locations throughout the Philippines that capitalize on the Sponsor's "live-work-play" concept, which integrates residential, business and retail developments within a thriving community;

- Grade A office space suitable for headquarters and BPO operations;

- Adequate infrastructure providing high-speed connectivity and uninterrupted power supply;

- Well-designed and attractive facilities;

- Good synergy with surrounding ecosystem; and,

- Responsive and dedicated building management.

Leverage economies of scale to drive profitability

The Company expects that the Property Manager, in accordance with the Company's investment strategies, to optimize property operating expenses at each of the Properties while still adhering to prescribed standards of top-quality service. To minimize costs, the Property Manager and/or Fund Manager will seek to:

- Harness the benefits to be derived from leveraging economies of scale across all Properties;

- Develop processes and systems modeled from successful cost-saving programs among the Properties;

- Implement energy and water conservation initiatives; and,

- Improve the efficiency of operations and maintenance activities for the Company's portfolio of assets.

Pursue sustained inorganic growth through well-planned and timed asset acquisition and investments

To enhance the value of the Company's portfolio, the Fund Manager, pursuant to the Fund Management

Agreement and REIT Law, and in accordance with the Company's plans, will perform dedicated oversight in studying potential pipeline assets for infusion into the Company's Portfolio. Following the Offer, the Fund Manager will actively consider and solicit opportunities, consistent with the Company's investment policy to grow the portfolio and invest in appropriate properties to improve portfolio performance through the following:

- Leverage on the strong support and commitment of the Sponsor to the Company by tapping for acquisition of four growth assets of the Sponsor with 71,335.4 sqm in GLA after the Offer; and

- Subject to economic conditions and management's future plans, consider the potential inclusion of the Sponsor's wider retail and hospitality assets to drive portfolio diversification.

Consider appropriate real estate opportunities from sources aside from the Sponsor

As the opportunity arises, the Company may choose to diversify to other high-growth geographic areas like Cebu, Bacolod, and Pampanga, and other growth areas in the country where the Sponsor's townships are located. Diversification plans include investment in other types of real estate properties, to include industrial, logistics, warehouse, other real property sectors that meet the Company's investment criteria for Grade A, centrally-located, stably occupied, and income producing properties.

As of the date of this REIT Plan, the Company believes it has a strong balance sheet, in part due to the Company's lack of indebtedness relating to the Properties. This provides the Company room to further improve our capital structure and enhance equity returns further for its investors through the availment of appropriately priced and structured debt. We believe our Company's strong balance sheet will allow us to secure financing for acquiring accretive properties in a cost-effective manner.

The principal investment mandate and strategy of MREIT is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Through our Fund Manager, our Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a Competitive Investment Return to our investors.

Prudent and focused management of capital and risk

The Fund Manager will closely monitor and manage the Company's balance sheet and resources to optimize the overall returns for Shareholders while preserving the long-term financial health of the Company. In order to support the Company's organic and inorganic growth initiatives, the Fund Manager will implement the following initiatives:

- Adopt financing policies to maximize risk-adjusted returns to shareholders;

- Consider accessing the capital markets as appropriate to manage the Company's financial risk exposures; and

- Assess alternative forms of capital and other capital management strategies where appropriate.

INVESTMENT POLICY

The principal investment mandate and strategy of our Company is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Through our Fund Manager, our Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a Competitive Investment Return to our investors.

In determining future investments to expand our REIT Portfolio, the key criteria in making an investment decision include:

- **Location:** The potential property should be located in a prime location in either Metro Manila, key provinces in the Philippines or other attractive locations, as opportunities arise;

- **Property Grade and Type:** The potential property should be primarily (but not exclusively) focused on Grade A office and retail properties, but may be related to other types of real estate properties, including residential, hospitality, industrial, etc., available in the market; and,

- **Tenant Profile:** The potential property should have stable occupancy, tenancy and income operations. Target tenants would be reputable captive BPOs with track record of operations.

The Fund Manager and the Property Manager intend to work towards maximizing investment returns by increasing Gross Revenue as well as Net Operating Income over time through active management of our Properties. The Fund Manager and the Property Manager aim to promote growth in returns by obtaining better lease terms through proactive lease negotiations, by optimizing the use of the GLA at each of the Properties, and by taking advantage of desirable opportunities for property acquisition. Further, to enhance the value of our Company's portfolio, the Fund Manager, pursuant to the Fund Management Agreement and REIT Law, and in accordance with the Company's plans, will perform dedicated oversight in studying potential pipeline assets for infusion into the portfolio to enhance long-term growth. See "*Business and Properties—Key Strategies—Drive organic growth through proactive asset management and enhancement*".

The Fund Manager intends to hold the Properties in our Portfolio on a long-term basis. However, where suitable opportunities arise, and subject to applicable laws and regulations, the Fund Manager may also consider divesting Properties or part thereof to realize their optimal market potential and value. In the future, the Fund Manager may also consider divesting mature and non-core properties which have reached a stage that affords limited growth for income in order to free up capital and reinvest proceeds into properties that meet our investment criteria.

Investment Limitations

Our Company's business activities and investments are, however, subject to certain limitations under the REIT Law.

Investments

Pursuant to the REIT Law (and in many instances subject to the approval of the Philippines SEC), our Company generally may invest only in:

(i) real estate and real estate-related assets;

(ii) evidence of indebtedness of the Philippines and other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Philippines;

(iii) bonds and other forms of indebtedness issued by:

  - the government of any foreign country with which the Philippines maintains diplomatic relations, with a credit rating obtained from a reputable credit rating agency or a credit rating agency acceptable to the SEC that is at least two notches higher than that of Philippines bonds; and

  - supranationals (or international organizations whose membership transcends national boundaries or interests, e.g. International Bank for Reconstruction and Development, Asian Development Bank);

(iv) corporate bonds of non-property privately-owned domestic corporations duly registered with the SEC with a current credit rating of at least "A" by an accredited Philippine rating agency;

(v) corporate bonds of a foreign non-property corporation registered in another country provided that said bonds are duly registered with the SEC and the foreign country grants reciprocal rights to Filipinos;

(vi) commercial papers duly registered with the SEC with a current investment grade credit rating based on the rating scale of an accredited Philippine rating agency at the time of investment;

(vii) equities of a non-property company listed in a local or foreign stock exchange, provided that these stocks shall be issued by companies that are financially stable, actively traded, possess a good track record of growth, and have declared dividends for the past three years;

(viii) cash and cash equivalents;

(ix) collective investment schemes, duly registered with the SEC or organized pursuant to the rules and regulations of the BSP; provided however that: (i) the collective investment scheme must have a track record of performance at par with or above the median performance of pooled funds in the same category as appearing in the prescribed weekly publication of the net asset value per unit of the collective investment scheme units; and (ii) new collective investment schemes may be allowed provided that its fund manager has at least a three-year track record in managing pooled funds;

(x) offshore mutual funds with rating acceptable to the SEC; and

(xi) synthetic investment products (i.e. derivatives and other such securities), provided that: (i) synthetic investment products shall not constitute more than 5% of the investible funds of the REIT; (ii) the REIT shall avail of such synthetic investment products solely for the purpose of hedging risk exposures of the existing investments of the REIT; (iii) the synthetic investment products shall be accounted for in accordance with PFRS; (iv) the synthetic investment products shall be issued by authorized banks or non-bank financial institutions in accordance with the rules and regulations of the BSP and/or the SEC; and (iv) the use of synthetic investment products shall be disclosed in this REIT Plan and under special authority from the SEC derivatives and other such securities.

At least 75.0% of the Deposited Property must be invested in, or consist of, income generating real estate which is held for the purpose of generating a regular stream of income such as, but not limited to, rentals, toll fees, user's fees, ticket sales, parking fees, and storage fees. Geographically, at least 35.0% of the Deposited Property should be invested in property located in the Philippines, and in no case may our Company's investments in such property fall below 35.0% of the Deposited Property. Additionally, our Company may invest in income generating real estate located outside of the Philippines, however, such an investment must not exceed 40.0% of the Deposited Property. Investment in such foreign properties is also subject to special authorization from the SEC. In issuing such authorization, the SEC shall consider, among other things, satisfactory proof that the valuation of assets is fair and reasonable.

As described above, a REIT may also invest in real estate-related assets, wherever the issuers, assets, or securities are incorporated, located, issued, or traded. However, not more than 15.0% of the funds of a REIT that can be placed in investment vehicles other than income-generating real estate, as allowed under these REIT Law, may be invested in any one issuer's securities or any one managed fund. If the REIT's investment is in Philippine government securities, then the limit is increased to 25.0%.

Borrowing

Pursuant to the REIT Law, the total borrowing and deferred payments of a REIT should not exceed 35.0% of the Deposited Property. A REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency, however, may exceed this 35.0% limit, but in no circumstances may its total borrowing and deferred payments exceed 70.0% of the Deposited Property. In the event that our Company intends to borrow beyond 35.0% of the Deposited Property, it shall achieve such a rating and publicly disclose it, as required by the REIT Law. Under no circumstances may our Fund Manager borrow on behalf of our Company from any of the funds under its management.

Property Development

Pursuant to the REIT Law, a REIT shall not undertake property development activities whether on its own, in a joint venture with others, or by investing in unlisted property development companies, unless:

(i) it intends to hold in fee simple the developed property for at least three years from date of completion;

(ii) the purchase agreement of the property is made subject to the completion of the building with proper cover for construction risks;

(iii) the development and construction of the real estate shall be carried out on terms which are the best available for the REIT and which are no less favorable to the REIT than an arm's length transaction between independent parties;

(iv) the prospects for the real estate upon completion can be reasonably expected to be favourable; and

(v) the total contract value of property development activities undertaken and investments in uncompleted property developments shall not exceed 10% of the Deposited Property of the REIT.

Exit Strategy

As a general practice, our Company arranges for the terms of our land and building leases from the Sponsor to be coordinated with the useful life of the Properties in our portfolio.

Our Company has no current joint ownership arrangement. In the event of divestment(s), the Company shall abide by the REIT Law requirement of ensuring an arms-length transaction is carried out among the parties, especially if transacted with a related party. This includes approval of the Related Party Transaction Committee, unanimous vote of all independent directors, valuation in accordance with appraised fair value, among others. In addition, we believe that MREIT has binding contracts with the Sponsor that will survive even in the event of divestment by the Sponsor. This includes lease agreements over the Properties, for a period of 50 years (25 years initially, renewable at our option for another 25 years under mutually acceptable terms).

RECENT DEVELOPMENTS RELATING TO THE COVID-19 PANDEMIC

Background

The outbreak of COVID-19, which was declared a global pandemic by organizations such as the World Health Organization, in the first quarter of 2020, has severely affected and continues to seriously affect the global economy. In a move to contain the COVID-19 outbreak, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months from March 17, 2020 and imposed an enhanced community quarantine ("**ECQ**") to arrest the continuing effect of the disease. The ECQ mandated the temporary closure of non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of Luzon, except by diplomats and uniformed workers (carrying medical supplies), among others. On May 16, 2020, the Government started to ease its quarantine restrictions in certain areas and placed Metro Manila under a modified enhanced community quarantine ("**MECQ**") and thereafter eased its quarantine restrictions in certain areas and Metro Manila, placing these under a general community quarantine ("**GCQ**") or modified GCQ ("**MGCQ**"). The graduated lockdown schemes from ECQ, MECQ, GCQ and MGCQ impose varying degrees of restraints on travel and business operations in the Philippines. The Government continues to calibrate the imposition of these measures depending on the situation in specific localities. On March 27, 2021, the Government placed Metro Manila and neighboring provinces under ECQ from March 29, 2021 to April 11, 2021, due to a surge in COVID-19 cases in these areas. From April 12, 2021 to May 14, 2021, the quarantine classification for these areas were downgraded to the MECQ classification. Thereafter, beginning May 15, 2021, the Philippine Government further reclassified the quarantine classification for the same regions to the GCQ classification. On July 30, 2021, the Government again placed Metro Manila under ECQ from August 6, 2021 to August 20, 2021. On August 20, 2021, the Government downgraded Metro Manila to MECQ from August 21, 2021 to September 15, 2021. As of the date of this REIT Plan, Metro Manila is under MECQ.

Impact on the Operations of the Properties

Amid COVID-19 and in compliance with the Government's ECQ guidelines, malls, hotels, and other businesses, except those providing essential goods and services were temporarily closed. The Properties continued operations because these are occupied by tenants providing essential services, such as banks, or were otherwise occupied by BPOs, which were permitted to continue operations under the Government's community quarantine guidelines. There were rental concessions granted during the ECQ but mostly on retail leases only.

Since the implementation of the lockdown at the height of the pandemic, public transport routes and capacity have been limited. Thus, even if BPOs, along with other essential businesses were allowed to operate at reduced capacity, the ability of their workforce to report to their respective offices was hampered. To help alleviate this challenge and assist in the smooth operations of our tenants, our Company provided assistance particularly on accommodations through the provision of hotel stays with our hospitality affiliates and temporary use of our Sponsor's ready-for-occupancy units. For those employees who cannot work from home, "work from hotel" packages were also offered to employees of office tenants by our Sponsor's hotels, which are also located within the townships. Additionally, the proximity of grocery stores, drug stores, and other establishments that provide essential goods and services within the townships also helped our office tenants cope with mobility restrictions by ensuring that provisions for their daily needs are within walking distance from their accommodations and workplaces. These, among other factors, helped reinforce the value to our tenants of locating their operations in our townships.

The Company also provided payment holidays and rental waivers to affected retail tenants covering a three-month period from March 16, 2020 to June 15, 2020. The Company then waived fixed rental fees for retail tenants, and instead implemented rental rates on a percentage of sales basis. These concessions were provided to 50 retail tenants which represented only 3% of the Company's total Rental Income for the period ended March 31, 2021.

Measures to Mitigate the Spread of COVID-19

We understand the potential material impact of COVID-19 on our financial performance, the execution of our plans and strategies, and on our tenants should the situation persist in the longer-term.

We are fully committed to cooperate and support the Government's efforts to control the spread of the virus. The Company adopted the Group's hub and spoke model for the workforce which has mitigated the potential disruption that COVID-19 could have caused on operations. We plan to continue to conduct our business while placing paramount consideration on the health and welfare of our employees, customers, and other stakeholders and have implemented measures to mitigate the transmission of COVID-19, such as by adjusting operating hours, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees. We have also activated business continuity plans, both at the corporate level and business operations level, and conducted scenario planning and analysis to activate contingency plans.

HISTORY

Our Company was incorporated on October 2, 2020 as Megaworld Holdings, Inc. On May 19, 2021, our Company changed its name from Megaworld Holdings, Inc. to MREIT, Inc. Our Company's primary purpose is to engage in the business of a real estate investment trust under the REIT Law.

Property-for-Share Swap

On April 7, 2021, the BOD and stockholders of our Company approved the property-for-share swap transaction with the Sponsor (the "**Property-for-Share Swap**"). Subject to the SEC's confirmation of the valuation of the properties and the issuance by the BIR of the Certificate Authorizing Registration ("**CAR**"), a Deed of Exchange of Property for Shares dated May 3, 2021 (the "**May 3, 2021 Deed**") was entered into between our Company and the Sponsor where the Sponsor transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in the Properties, free from liabilities, debts, liens and encumbrances, and with an appraised value of ₱49,202.4 million (US$1,015.2 million)[17] in exchange for the Company's 1,282,120,381 common shares with an issue price of ₱38.38 per share broken down as par value of One Peso (₱1.00) per share and Additional Paid In Capital ("**APIC**") of ₱47,920,287,239.00. The Property-for-Share Swap further increased the Sponsor's ownership interest to 99.6% of the total issued and outstanding capital stock of the Company. All of the Properties were developed by our Sponsor, Megaworld Corporation. All of the Properties are owned by our

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[17] The ₱49,202.4 million appraised value of the investment properties is determined on the basis of the appraisal separately performed by Intech Property Appraisal, Inc. ("**Intech Property**") and is valued as of March 1, 2021. The aggregate appraised value of the investment properties of ₱49,316.0 million is based on the Valuation Reports issued by SKF as of March 31, 2021. The difference in the appraised values indicated in the valuation reports prepared by Intech Property and SKF lies in the difference in the valuation approach used. Intech Property used the Market Data Approach while SKF used the Income Approach. The Market Data Approach calculates market value by studying market prices for assets that compete with one another for market share. This comparative approach considers the sales or offers of similar or substitute assets and related market data, and establishes a value estimate by direct comparison of the subject asset with similar assets for which actual data on recent market transactions are available. Both are acceptable models and were provided by two independent appraisers duly accredited by the Philippine SEC.

Company and stand on land leased from the Sponsor for an aggregate period of 50 years.[18] As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[19] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years.

On May 19, 2021, in furtherance of the transfer, assignment and conveyance in favor of our Company of all of the Sponsor's rights, title and interests in the Properties in exchange for our Company's common shares, our Company and the Sponsor entered into a Deed of Assignment of Leases assigning all of Sponsor's rights and interests in and to the Contracts of Lease over portions of the Properties leased out to various entities (the "**Leases**") effective upon the issuance of our Company's common shares in the name of the Sponsor under the May 3, 2021 Deed.

On May 19, 2021, our Company's Articles of Incorporation and By-Laws were amended: (a) changing our Company's name to MREIT, Inc. to align with our Company's primary purpose to engage in the business of a real estate investment trust as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its revised implementing rules and regulations; (b) changing the par value of our Company's common share from ₱100.0 to ₱1.0 per share; thus, our Company's authorized capital stock of ₱5,000,000,000.0 is now divided into 5,000,000,000 common shares with a par value of ₱1.0 per share; (c) increasing the number of directors from five (5) to seven (7); and, (d) changing our Company's Fiscal Year to begin July 1 and end June 30.

Notably, on April 11, 2021, Republic Act No. 11534, otherwise known as the CREATE Law, took effect. The CREATE Law removed the requirement of prior confirmation of the tax-free nature of an exchange under Section 40(C)(2) of the NIRC from the BIR for purposes of availing of the tax exemption. As such, at present, only a tax clearance or CAR need be obtained from the relevant Revenue District Office. The CAR must be obtained before legal title to the Properties can be transferred to our Company.

The Philippine SEC has certified the approval of the valuation of the Property-for-Share Swap at ₱49,202,407,620.00. The requisite CARs authorizing the transfer of legal title to the Properties from Megaworld to the Company have already been obtained. Accordingly, Tax Declarations over the Properties are now available in the name of the Company, as of the date June 2, 2021. The Stock Certificate evidencing Megaworld's ownership of 1,282,120,381 common shares was issued on June 2, 2021. Thus, the May 3, 2021 Deed is now fully consummated as to the parties.

Termination of Option Agreements

On April 7, 2021, in light of the Property-for-Share Swap, our Company's BOD approved the cancellation of the Option Agreements entered into by the Company with the Sponsor on February 1, 2021 over Two World Square and One Fintech Place.

On May 3, 2021, termination agreements were executed between our Company and the Sponsor, with a material condition directing the Sponsor to refund the option money to our Company no later than five (5) banking days from the execution of such agreements.

The option money was refunded by the Sponsor and deposited in the bank account of our Company on May 6, 2021.

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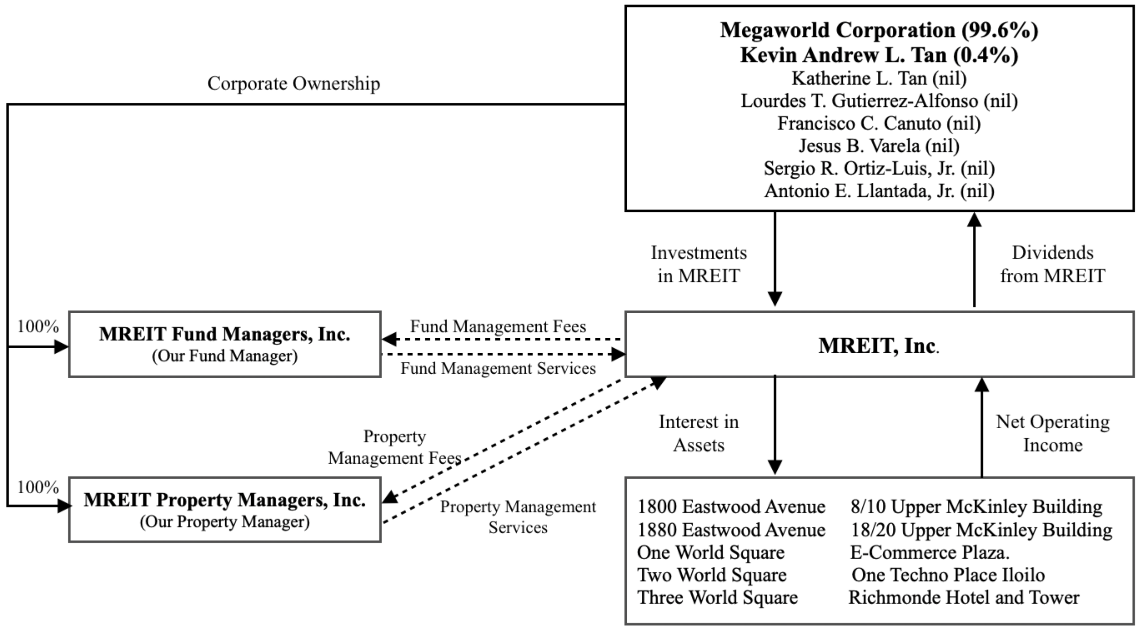
[18] The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

[19] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

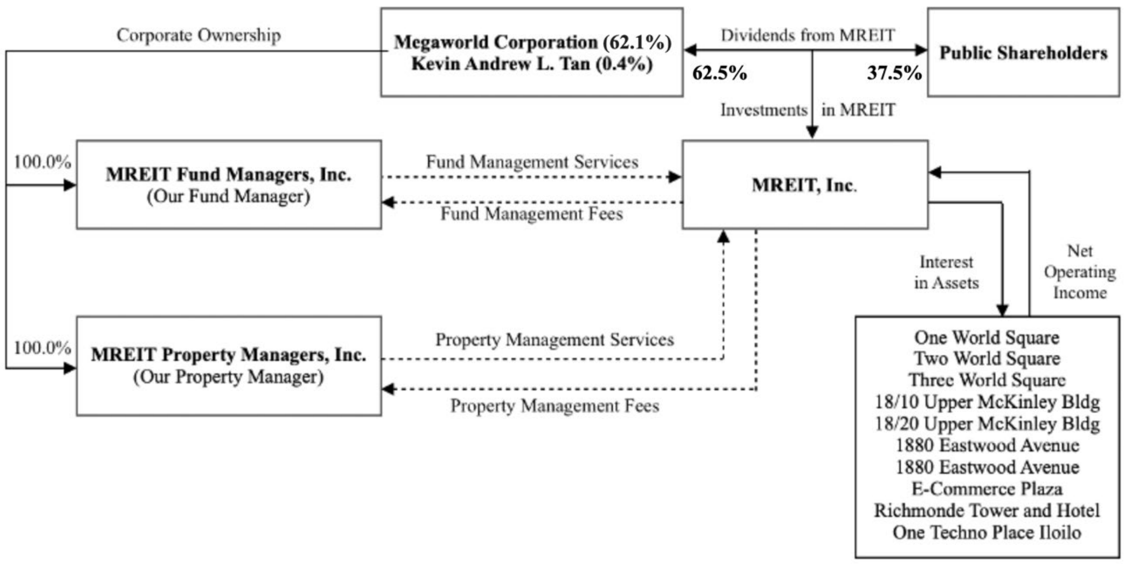
CORPORATE AND SHAREHOLDING STRUCTURE

The chart below sets out our operational structure and relationship of the various parties as of the date of this REIT Plan.

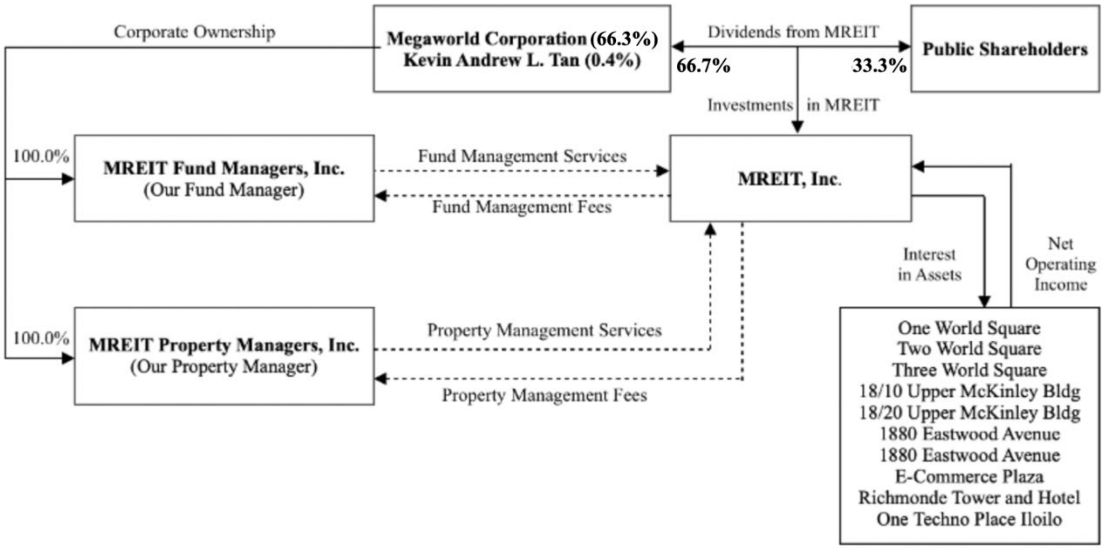


After the Offering, the operational structure and relationship of the various parties are illustrated as follows:

(i) Assuming the full exercise of the Overallotment Option:



(ii) Assuming non-exercise of the Overallotment Option:



MARKETING, LEASING AND MAINTENANCE ACTIVITIES

Marketing

The Properties will be actively marketed by the Property Manager to prospective tenants in desired target groups through advertisements in the print media, direct calls and liaising with property consultants such as Santos-Knight Frank, Jones Lang LaSalle, CB Richard Ellis, and Colliers International to locate tenants such as IT companies and other multinational companies. The Company also coordinates with government agencies to participate in activities such as trade missions to increase referrals to companies seeking to outsource business to the Philippines. The Company also maintains relationships with its existing tenants and their affiliated companies who may consult the Company when considering expansion options. The Company has an in-house leasing team to assist existing clients who are interested in expanding or relocating to another site. The Company also maintains and continually seeks to improve its ongoing media communications campaigns to highlight the competitive advantages of its properties to prospective tenants. The Property Manager's marketing expenses are expected to primarily comprise advertising and promotion expenses, selling expenses, and tenant renovation allowances. The consultants and prospective tenants are also regularly updated with the list of available retail or office units for rental. Viewings of the premises will be conducted regularly with prospective tenants. The Property Manager will also explore opportunities for joint marketing efforts and other mutually beneficial opportunities with the Sponsor. See "*The Fund Manager and the Property Manager—Our Property Manager*."

Lease Agreements and Rental Rates

The lease agreements entered into for the Properties contain terms and conditions, including those relating to duration of the lease, provision of security deposit as well as alteration and improvement works, generally found in most office and retail lease agreements in the Philippines.

Our Portfolio has a WALE of 4.7 years (by GLA) as of March 31, 2021. Our Company's current lease contracts for office properties generally have lease terms of five to 10 years, while the Company's current lease contracts for retail and other properties generally have lease terms of two to five years. Tenants of office properties typically pay a security deposit equal to three months' rent and advance rent equal to three months while tenants of retail properties typically pay a security deposit equal to six months' rent and advance rent equal to one month, all of which are forfeited in case the tenant pre-terminates the lease agreement without prior notice or before the expiry of the lease term without cause. The tenants are typically required to pay the monthly rent in advance on a monthly basis, without need of further demand. Tenants of the Properties pay a common use service area fee ("**CUSA**") for the maintenance of the building, services, and the upkeep of common areas. Public utilities such as power and water are charged and billed directly by the utilities provider.

Rental rates for the Properties are generally fixed in advance for the tenure of the lease term and are subject to review and renegotiation on expiry of the lease. In line with market practice in the Philippines, the lease agreements generally do not provide for rent reviews during the period of the lease. In addition, a significant proportion of leases include a step-up provision or escalation negotiated at the time of execution of the lease, whereby the base rent is increased by a fixed percentage annually during the lease term. As of March 31, 2021, the typical yearly rental escalation for office properties is 5.0% and for retail properties 10.0%. As of March 31, 2021, the average rental escalation for our overall Portfolio was 5.2%.

In certain instances, these terms have been varied to accommodate the specific needs of major tenants such as quarterly lease payment, right to space expansion and rent-free fitting out period for BPOs. The tenant will normally take possession of the premises after it has made the requisite payments and has formally executed the lease agreement. We offer standard office spaces and build-to-suit office spaces. Our standard office spaces provide basic features and amenities catering primarily to the general needs of any BPO company. Our build-to-suit office spaces are properties designed in coordination with and with the cooperation of the prospective tenant. These spaces are custom-built and fit-out by the tenant in accordance with its specifications and operational requirements.

Leasable spaces are generally delivered in "bare shell" form. Pursuant to the lease agreement, a tenant may also be given the right to occupy the leased premises rent-free for a certain number of months prior to the commencement of the lease to fit-out the premises, provided that the tenant has signed the contract of lease, paid all required deposits, advance rents and bonds, and obtained relevant occupancy and business permits, and that the building manager has issued a notice to proceed or its approval after reviewing the fit-out plans of the tenant. All alterations, additions, or improvements made by or on behalf of the tenant shall become our property at the expiry or termination of the lease, without further compensation to the tenant, except for alterations, additions or improvements which are movable or detachable without defacing, injuring or damaging the leased premises. However, we may also require tenants to restore the leased space to its original condition prior to the commencement of the lease.

In addition, we have the right to terminate leases upon the occurrence of certain events, such as non-payment of rent, failure to maintain for six months in a calendar year gross sales sufficient to pay rent in excess of the minimum monthly rent and failure to submit or understatement of monthly gross sales report on due date (for retail tenants with percentage rent), failure to return and surrender the leased premises upon expiration of the lease term or upon termination or cancellation of the lease, closure of the leased premises for a continuous period of five calendar days, insolvency of the tenant, breach of covenants by the tenant, failure of the tenant to pay its utilities or CUSA for at least one month, breach of obligations or undertaking or breach of warranties or representations, death of the lessee (if a natural person) or cessation of personality or change of control (if a corporation), among others.

Our standard lease contracts have no pre-termination clauses. In the event a pre-termination clause is included in the lease contract, our Company would generally require written notice of intent to pre-terminate at least 180 days prior to the intended date of pre-termination and the tenant shall generally be liable to pay a sum equivalent to three months' rent up to the total rentals for the unexpired portion of the lease term, as liquidated damages, in addition to forfeiture of the security deposit. Any rentals paid in advance shall be applied against the rentals for the remaining period of the lease term.

For the hotel component of the Portfolio, Richmonde Hotel Iloilo, our Company and the Sponsor entered into a contract of lease commencing June 1, 2021. Under the lease agreement, the Sponsor shall lease Richmonde Hotel Iloilo from our Company for 25 years, renewable for another 25 years under mutually acceptable terms. Monthly rental for the first 11 years[20] is set at ₱4,700,000.00, exclusive of VAT, DST and other taxes which shall be borne by the Sponsor. Monthly rental for years 12 to 25 shall be ₱3,000,000.00 plus 5% of the gross rooms rental revenue per month, exclusive of VAT, DST and other taxes which shall be borne by the Sponsor.

Lease Management

The Properties currently enjoy favorable occupancy levels. As tenant retention is critical to minimizing the turnover of leases, the Property Manager will maintain close communication and a good working relationship with the existing tenants and work with the Fund Manager to manage lease renewals and new leases diligently in order to minimize gaps arising due to either lease expiries or early terminations, including through advance lease

[20] June 11, 2021 Amended and Restated Contract of Lease.

negotiations with tenants whose leases are about to expire, searching for potential tenants to take over expected vacancies, and monitoring rent arrears to minimize defaults by tenants. To ensure the timely payment of rent, arrears management procedures will also be enforced to ensure timely payment of rent. For office properties, we require three months' deposit and three months' advance rental. For retail properties, we require six months' deposit and one month advance rental. Rentals are billed monthly or quarterly, and are collected every fifth of the month or first month of the quarter. We believe that these proactive steps to retain tenants and reduce rental in arrears will help to maintain a stable income stream for our Company.

Green Initiatives

Our Properties are geared toward sustainability for a positive impact on the environment and the community. Our buildings observe standards regarding:

- *Energy efficiency*. Our buildings utilize energy-efficient equipment, and we continue to upgrade equipment to increase their energy efficiency. Our Properties utilize energy-efficient elevators and highly efficient LED lighting equipped with light and movement sensors. Energy-efficient power transformers and distribution systems are also being used across our buildings.
- *Natural ventilation and air quality*. Ventilation in our Properties has been increasingly prioritized during the pandemic situation.
- *Heat transfer reduction*. Our buildings adopt measures to reduce heat transfer, such as choosing proper roof color, placement of roof insulation materials and construction of roof gardens which yields significant energy savings.
- *Water efficiency*. Our buildings use efficient cisterns and overhead tank water distribution systems which ensure continuous water supply.
- *Water recycling*. Our buildings implement sustainable water recycling systems via rainwater harvesting that saves on annual water consumption. The harvested water is set aside for various purposes such as watering plants and cleaning pavements.
- *Solid waste management*. Our buildings' material recovery facilities have been designed to align with the internal target of the Alliance Global Group, Inc. (the major shareholder of the Sponsor) to attain a zero-plastic footprint by 2030.
- *Landscaping and green/open spaces*. The green roofs, open spaces and pocket gardens featured in our buildings not only allow the recharging of the natural ground water reservoir, control stormwater surface run-off, and cool the building surroundings, but also provide indoor to outdoor connectivity for the occupants.

In 2019, the Sponsor also decided to upgrade its townships by committing to more sustainable development programs in the coming years, including aspiring to make all of its townships fully reliant on renewable energy sources by 2025. Complementing this sustainability initiative is Megaworld's "iTownships," the Sponsor's program to future-proof its townships. In line with this, the Sponsor has begun to incorporate smart technology, digital technology, design innovations, and connectivity capabilities into its projects to enhance their green and sustainable features. Our properties, which are located in the Sponsor's townships, also stand to benefit from these initiatives.

Maintenance

Over the course of the useful life of the Properties, the Property Manager will maintain the Properties. We endeavor to keep the Properties in good working order, subject to high commercial standards, with amenities and facilities that address the requirements of our tenants. These efforts will involve expending funds to complete routine maintenance, including maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades, as well as extraordinary maintenance, in the event of damage from weather disturbances, such as typhoons, earthquakes, or floods, and from other unforeseen events. We have, in the past, and expect to, in the future, fund such necessary maintenance by the Property Manager with cash. Routine and extraordinary maintenance of the Properties are budgeted through CUSA or subject of special assessments and are directly disbursed by the Property Manager, as the need arises.

Third-Party Suppliers

Presently, the major suppliers of the Properties are primarily third-party companies in charge of particular building functions. These include manpower services, such as janitorial, sanitation, housekeeping, landscaping maintenance, technical maintenance, other related maintenance services, and security, which have been contracted by our Sponsor, and eventually reviewed by the Property Manager. The contracts with these third parties are non-exclusive arrangements. Contractors are required to obtain and maintain, at their own expense and throughout the term of the contracts, sufficient liability insurance issued by an insurance company acceptable to our Company.

INSURANCE

Our Company has insurance for the properties that is consistent with industry practice in the Philippines. The Company is insured against all risks of sudden and accidental physical loss of or damage to the properties included in the portfolio. This includes insuring against, but not limited to, (a) catastrophic perils such as earthquake, typhoons, flood, and volcanic eruption, lahar and other convulsion of nature; (b) water-related damages other than typhoon and flood; (c) machinery and electrical breakdown; (d) electronic equipment, including portable equipment; and, (e) business interruption. Each property is covered up to the market replacement value at the time of the loss, with such value to be determined at the time of loss (according to a formula pursuant to the relevant insurance coverage).

This includes property all risk insurance, business interruption policies, property damage coverage, as well as comprehensive general liability coverage. For certain types of risks not covered by the standard property all risk insurance policies, specifically those losses resulting from political violence, wars, acts of terrorism or related activities, we have also procured a full political and terrorism policy, to ensure that gaps in coverage are adequately addressed. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks for which the company cannot obtain insurance at a reasonable cost or at all. Our Company has met the REIT IRR requirement that all the Properties shall be insured for their full replacement value, including loss of rental.

INTELLECTUAL PROPERTY

Our Company has secured an exclusive domain for its website and email system – www.mreit.com.ph. Complementing these digital assets are social media platforms in Facebook and Twitter which also use the MREIT trademark.

Our Company has adopted a logo of MREIT which bears the colors of dark blue and gold, giving a distinct character to our new Company. Our Company has filed for the trademark registration of the logo with the Philippine Intellectual Property Office.

M·REIT
A MEGAWORLD COMPANY

Our Company chose the upward triangle icon to resemble a rising stock ticker symbol in financial media channels, complemented by the gold color to symbolize our Company's aspiration to become the gold standard of Philippine REITs.

Our Company relies on the Sponsor's trademarks to establish and protect its business interests and we believe that the Sponsor's trademarks and intellectual property rights are important to our Company's success and competitive position. In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

As of the date of this REIT Plan, our Sponsor has registration of trademarks of the McKinley Hill and Iloilo Business Park townships where most of the Properties are located, approved by the Philippine Intellectual Property Office. Although there has been no registration of the trademark of the Eastwood Township, we believe that our Sponsor has sufficient protection over the "Megaworld" name, in particular, for long-term use and wide-spread recognition of the name in the market. There can be no assurance, however, that the actions Megaworld has taken will be adequate to prevent imitation by others or to prevent others from using the "Megaworld" name as a violation of its intellectual property rights.

Set out below is a list of our Sponsor's marks registered with the Philippine Intellectual Property Office:

Name/Mark	Type of Registration	Registration No.	Date of Registration	Date of Renewal	Expiration of Registration
Iloilo Business Park	Trademark	4-2007-00012041	2-Oct-2009	2-Oct-2019	2-Oct-2029
McKinley Hill	Trademark	4-2003-00008201	28-Apr-2006	28-Apr-2016	28-Apr-2026

Our Sponsor has granted our Company non-exclusive rights to use the foregoing marks where our Properties are located for free for a period of 25 years plus an extension of 25 years, commencing on June 1, 2021.

As of the date of this REIT Plan, save for the MREIT logo registration, we have no pending applications for registration with the Philippine Intellectual Property Office.

EMPLOYEES

The executive officers of our Company will be seconded from other companies in the Megaworld Group. We believe that our Company, the Property Manager, and the Fund Manager are in compliance with all minimum compensation and benefit standards, as well as applicable labor and employment regulations. We intend to directly hire six operational and three clerical employees in the next 12 months with full government-mandated benefits. As of the date of this REIT Plan, there is no existing labor union nor any collective bargaining agreement.

COMPETITION

We believe that competition for office space is principally on the basis of location, quality and reliability of the project's design and equipment, reputation of the developer, supply of comparable space, changing needs of business users, and PEZA registration. We believe that our primary competitors are Ayala Land, Inc. and its REIT Subsidiary, Robinsons Land Corporation and its REIT Subsidiary, Filinvest Land Inc. and its REIT Subsidiary, and Double Dragon Properties Corporation and its REIT Subsidiary.

We compete on the basis of the strategic locations of our buildings, including their proximity to the malls and residences as part of its mixed-use developments and accessibility to public transportation. We believe that our established reputation for good quality, ease of doing business, and completing projects on time makes our Company one of the most preferred choices of the BPO industry as well as local and multinational companies. We are committed to providing an excellent customer experience and satisfaction by offering and maintaining office projects of high quality and reliability, meeting the evolving needs of our customers. Together with our Sponsor, we aim to maintain our leading position in the office leasing market.

REGULATORY COMPLIANCE

See "*Permits and Licenses*."

LEGAL PROCEEDINGS

None of MREIT, Inc., the Fund Manager, the Property Manager and/or our Properties is currently involved in any material litigation nor, to the best of our knowledge, is any material litigation currently contemplated or threatened against our Company, the Fund Manager or the Property Manager or involving any of the Properties.

THE PROPERTIES

Megaworld is the Philippines' largest and one of the leading developers of premier offices for the BPO sector. According to LPC, as of March 31, 2021, Megaworld Corporation is the biggest developer of office spaces in the

Philippines with about 1.4 million sqm of office space GLA. We believe our Properties have the ideal specifications for BPO operations for REIT buildings. These are located in Megaworld townships—large-scale, strategically-located and master-planned developments bringing together residences, offices, retail hubs, and even learning centers, in a single setting. Occupants of these office buildings enjoy the value of the townships' live-work-play-learn lifestyle, a signature offering of Megaworld for the past 31 years.

The following 10 buildings in our Portfolio are specifically located in Eastwood City in Quezon City, McKinley Hill in Taguig City, and the Iloilo Business Park in Iloilo City. Eastwood City is Megaworld's first-ever township development, serving as the inspiration for other Megaworld townships in the Philippines such as McKinley Hill and Iloilo Business Park.

Eastwood City became the country's first cyber park accredited by the Philippine Economic Zone Authority that put the country on the global BPO map. This successful township, as well as McKinley Hill, are centrally located in two major growth areas in Metro Manila. Meanwhile, Iloilo Business Park is located in the Western Visayas region of the country, where BPO is a fast-growing industry. It is envisioned to be "the next central business district" in Iloilo City."

The buildings do not only showcase large floor plates of at least 2,000 sqm to achieve optimal efficiency for the production areas, they are also designed to be low-rise (three to six levels) or mid-rise (seven to 15 levels) structures, equipped with an adequate number of elevators. Additionally, the buildings offer 100.0% redundancy in power and telecommunication infrastructure.

	Year Completed	Office Grade[(1)]	GLA (sqm)	% of Total Portfolio GLA	Occupancy Rate (%)[(2)]	Appraised Value (₱ million)[(2)]	% of Appraised Value
A. Metro Manila							
1800 Eastwood Avenue	2006	A	34,738.2	15.5%	98.3%	7,706.0	15.6%
1880 Eastwood Avenue	2007	A	33,743.8	15.0%	77.0%	6,790.0	13.8%
One World Square	2007	A	30,481.7	13.6%	98.4%	8,018.0	16.3%
Two World Square	2009	A	21,286.4	9.5%	94.1%	5,501.0	11.2%
Three World Square	2010	A	21,216.6	9.5%	99.7%	5,190.0	10.5%
E-Commerce Plaza	2008	A	20,940.2	9.3%	100.0%	4,279.0	8.7%
8/10 Upper McKinley Building	2010	A	19,937.5	8.9%	76.9%	4,660.0	9.4%
18/20 Upper McKinley Building	2009	A	19,413.8	8.6%	99.9%	4,337.0	8.8%
Subtotal – Metro Manila			**201,758.2**	**89.9%**	**92.7%**	**46,481.0**	**94.3%**
B. Iloilo							
One Techno Place Iloilo	2017	A	9,548.7	4.3%	95.1%	1,170.0	2.4%
Richmonde							
Richmonde Tower	2016	A	6,354.8	2.8%	100.0%	866.0	1.7%
Richmonde Hotel Iloilo	2016	A	6,769.1	3.0%	100.0%	799.0	1.6%
Subtotal – Iloilo			**22,672.6**	**10.1%**	**97.9%**	**2,835.0**	**5.7%**
Overall			**224,430.8**	**100.0%**	**93.2%**	**49,316.0**	**100.0%**

Notes:
(1) According to LPC, Grade A office buildings boast of high-quality interior designs and exterior finishing and are centrally located in major business districts. Grade A buildings typically feature floor plates of not less than 1,000 sqm. Grade A buildings also feature a good tenant mix and profile.
(2) As of March 31, 2021.

On May 3, 2021, lease agreements were entered into between our Company and the Sponsor over the land on which the Properties stood for an aggregate period of 50 years.[21] As consideration for the land lease, our Company will pay the Sponsor, commencing July 1, 2023 and until June 30, 2025, rent equivalent to 2.5% of gross rental income for office properties, 2.5% of gross retail revenues for retail and other properties, and 1.5% of hotel

[21] The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

rental/revenues for hotel properties; and, commencing July 1, 2025 onward, rent equivalent to 5.0% of gross rental income for office properties, 5.0% of gross retail revenues for retail and other properties, and 3.0% of hotel rental/revenues for hotel properties.[22] Rent is exclusive of VAT, DST and other taxes which shall be borne by our Company. As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years.

A. METRO MANILA PROPERTIES

1800 Eastwood Avenue

1800 Eastwood Avenue is a Grade A, PEZA-accredited, 10-storey office tower developed by the Sponsor. It is located in Eastwood City, Quezon City.

Eastwood City is the Sponsor's pioneering township in the Philippines, which served as a blueprint for subsequent township developments. As an integrated township, it showcases residential projects, office buildings and leisure and commercial offerings, as well as an array of conveniences that allow the township to be self-contained. Eastwood City is a walkable, pedestrian-friendly community, and is home to more than 22,000 residents and 55,000 workers to date. The entire township of Eastwood City has easy access to public transport via E. Rodriguez Avenue, a main thoroughfare in the area which connects it to different parts of Quezon City.

1800 Eastwood Avenue is equipped with nine high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security. In line with the building enhancements scheduled for select properties in the Sponsor's portfolio, the main lobby of 1800 Eastwood Avenue has been recently renovated.

Following the completion of the Property-for-Share Swap, our Company owns 1800 Eastwood Avenue with an aggregate GLA of 34,738.2 sqm.

Key Asset Information

Address	1800 Eastwood Ave., Eastwood Cybercity, Brgy. Bagumbayan, Quezon City

[22] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

Building Completion	2006
Refurbishment / Renovation	2020
Operating Date	August 2006
No. of Floors	9 office floors
GLA (sqm)	34,738.2
Gross Rental Income*	₱257.4 million (US$5.3 million)
Occupancy Rate**	98.3%
Committed Occupancy Rate**	98.3%
No. of Tenants**	6 BPO/traditional office tenants and 7 retail tenants
Valuation***	₱7,706.0 million (US$159.0 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			**For the nine months ended March 31,**	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	338.6	359.2	365.5	278.4	257.4
	As of June 30,			**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	100.0%	99.8%	98.3%	98.3%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

1800 Eastwood Avenue had six BPO/traditional office tenants and seven retail tenants as of March 31, 2021 and its major tenants are primarily from the BPO sector.

The table below sets out selected information about 1800 Eastwood Avenue's five largest tenants (based on GLA) as of March 31, 2021.

	Tenant	**Sector**	**% of total GLA of 1800 Eastwood Avenue**
1	IBM Business Services Inc.	BPO	40.0%
2	NTT Data Services Philippines Inc. (formerly Dell Systems Phils. Inc.)	BPO	21.0%
3	Acquire Asia Pacific Manila Inc.	BPO	10.5%
4	Ubiquity Global Services Philippines, Inc.	BPO	10.2%
5	Vistablox Interactive Inc.	BPO	5.9%
	TOTAL		87.6%

As of March 31, 2021, the top five tenants in 1800 Eastwood Avenue in terms of GLA accounted for approximately 87.7% of GLA and contributed 84.2% of its total Rental Income for the nine months ended March 31, 2021. For the same period, the BPO/traditional office sector representing 95.8% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

There is no related party tenant in 1800 Eastwood Avenue.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the year ended June 30,	**Expiring GLA (sqm)**	**Expiring GLA as a % of total GLA of 1800 Eastwood Avenue**	**Percentage of Expiring Rental Income to Total Rental Income of 1800**

			Eastwood Avenue
2021	2,065.0	5.9%	5.8%
2022	1,236.0	3.6%	5.7%
2023	7,296.1	21.0%	30.1%
2024	4,326.5	12.5%	10.4%
2025 and beyond	19,217.7	55.3%	48.0%

As of the date of this REIT Plan, 2,065.0 sqm of expiring GLA in 2021 is under negotiation.

1880 Eastwood Avenue

1880 Eastwood Avenue, located in Eastwood City, Quezon City, is a Grade A, PEZA-accredited, 10-storey office tower developed by the Sponsor. Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 33,743.8 sqm.

Like 1800 Eastwood Avenue, this building is part of the Eastwood City community and benefits from all the lifestyle comforts and conveniences of the township.

A large floor plate of over 3,000 sqm makes 1880 Eastwood Avenue ideal for BPO operations. It has seven high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security. The building's main lobby has been refurbished.

Key Asset Information

Address	1880 Eastwood Ave., Eastwood Cybercity, Brgy. Bagumbayan, Quezon City
Building Completion	2007
Operating Date	July 2007
Refurbishment / Renovation	2020
No. of Floors	9 office floors
GLA (sqm)	33,743.8
Gross Rental Income*	₱200.3 million (US$4.1 million)
Occupancy Rate**	77.0%
Committed Occupancy Rate**	77.0%
No. of Tenants**	9 BPO/traditional office tenants and 7 retail tenants
Valuation***	₱6,790.0 million (US$140.1 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	2019	2020	2020	2021
Gross Rental Income* (₱ million)	244.4	272.4	262.3	196.2	200.3
	As of June 30,			As of March 31,	
	2018	2019	2020	2021	
Occupancy Rate (%)	97.1%	88.2%	98.0%	77.0%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

1880 Eastwood Avenue had nine BPO/traditional office tenants and seven retail tenants as of March 31, 2021 and its major tenants are primarily from the BPO/traditional office sector, including related parties, Emperador Distillers Inc. and Anglo Watsons Glass Inc.

The table below sets out selected information about 1880 Eastwood Avenue's five largest tenants (based on GLA) as of March 31, 2021.

	Tenant	Sector	% of total GLA of 1880 Eastwood Avenue
1	Microsourcing Philippines, Inc.	BPO	20.7%
2	WNS Global Services Philippines Inc.	BPO	20.6%
3	ATOS Information Technology Inc.	BPO	10.4%
4	Probe Contact Philippines Inc.	BPO	10.4%
5	Emperador Distillers Inc.	Traditional office	9.6%
	TOTAL		**71.7%**

As of March 31, 2021, the top five tenants in 1880 Eastwood Avenue in terms of GLA accounted for approximately 71.7% of GLA and contributed 84.9% of its total Rental Income for the nine months ended March 31, 2021. For the same period, the BPO/traditional office sector representing 97.3% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

Emperador Distillers Inc. and Anglo Watsons Glass Inc. lease approximately 10.5% of the GLA of 1880 Eastwood Avenue as of March 31, 2021 and contributed 13.9% of its total Rental Income for the nine months ended March 31, 2021.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of 1880 Eastwood Avenue	Percentage of Expiring Rental Income to Total Rental Income of 1880 Eastwood Avenue
2021	-	-	-
2022	1,332.4	4.0%	6.7%
2023	13,938.9	41.3%	50.4%
2024	3,685.9	10.9%	14.6%
2025 and beyond	7,039.4	20.9%	28.3%

As of the date of this REIT Plan, all of the expiring GLA for 2021 have been renewed.

One World Square

One World Square, located along Upper McKinley Road in McKinley Hill, Taguig City, a PEZA-registered zone, is a Grade A, 11-storey office building developed by the Sponsor. It was the first-ever office development to be completed in the township. Today, it is an anchor structure for those entering McKinley Hill from Lawton Road.

The 50-hectare McKinley Hill is the Sponsor's largest township development in Metro Manila. It brings to life the live-work-play-learn concept first established in Eastwood City, but on a bigger piece of land. Inspired by cities in Italy and Spain, McKinley Hill brings to the Philippines the sophisticated culture of Southern Europe. The township is in a PEZA-designated IT special economic zone, making it among the metro's most exciting venues for investment.

One World Square is set about 200 meters east from the intersection of Upper McKinley Road, McWest Boulevard and Lawton Avenue; about 350 meters northwest from the Venice Grand Canal Mall; about 510 meters southeast from the McKinley West Festival Grounds; about 630 meters northeast from the Philippine Army Grandstand; and approximately 640 meters southwest from the Korean International School, also located in McKinley Hill.

The building is equipped with six high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security. It has two main lobbies at the ground level, and features a large floor plate of 3,000 to 5,000 sqm.

One World Square is connected to Two World Square and Three World Square via a covered walkway.

Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 30,481.7 sqm.

Key Asset Information

Address	Upper McKinley Road corner Florence Way corner North Road, Brgy Pinagsama, Taguig City
Building Completion	2007
Operating Date	May 2007
Refurbishment / Renovation	N/A
No. of Floors	10 floors
GLA (sqm)	30,481.7 sqm
Gross Rental Income*	₱250.0 million (US$5.2 million)
Occupancy Rate**	98.4%
Committed Occupancy Rate**	98.4%
No. of Tenants**	11 BPO/traditional office tenants and 10 retail tenants
Valuation***	₱8,018.0 million (US$165.4 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	310.3	301.0	310.2	229.3	250.0
	As of June 30,			**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	100.0%	89.0%	98.4%	98.4%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

One World Square had 11 BPO/traditional office tenants and 10 retail tenants as of March 31, 2021. Its major tenants are primarily from the BPO/traditional office sector, including related parties, Suntrust Properties Inc. and Asia Affinity Property Management Inc.

The table below sets out selected information about One World Square's five largest tenants (based on GLA) as of March 31, 2021.

	Tenant	Sector	% of total GLA of One World Square
1	Iqvia Solutions Operations Center Philippines, Inc.	BPO	16.6%
2	Anthem Solutions Inc.	BPO	14.2%
3	CGI (Philippines) Inc. (formerly LOGICA (Philippines) Inc.)	BPO	12.0%
4	Ericsson Telecommunications Inc.	BPO	11.0%
5	Suntrust Properties Inc.	Traditional office	11.3%
	TOTAL		**65.1%**

As of March 31, 2021, the five largest tenants in One World Square in terms of GLA accounted for approximately 65% of GLA and contributed 71.4% of its total Rental Income for the nine months ended March 31, 2021. For the same period, the BPO/traditional office sector representing 97.5% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

Suntrust Properties Inc. and Asia Affinity Property Management Inc. lease approximately 13% of the GLA of One World Square as of March 31, 2021 and contributed 11.4% of its total Rental Income for the nine months ended March 31, 2021.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of One World Square	Percentage of Expiring Rental Income to Total Rental Income of One World Square
2021	-	-	-
2022	1,919.5	6.3%	9.8%
2023	11,980.69	39.3%	39.2%
2024	3,364.7	11.0%	11.1%
2025 and beyond	12,688.39	41.6%	39.8%

As of the date of this REIT Plan, all of the leases expiring in 2021 have been renewed or extended.

Two World Square

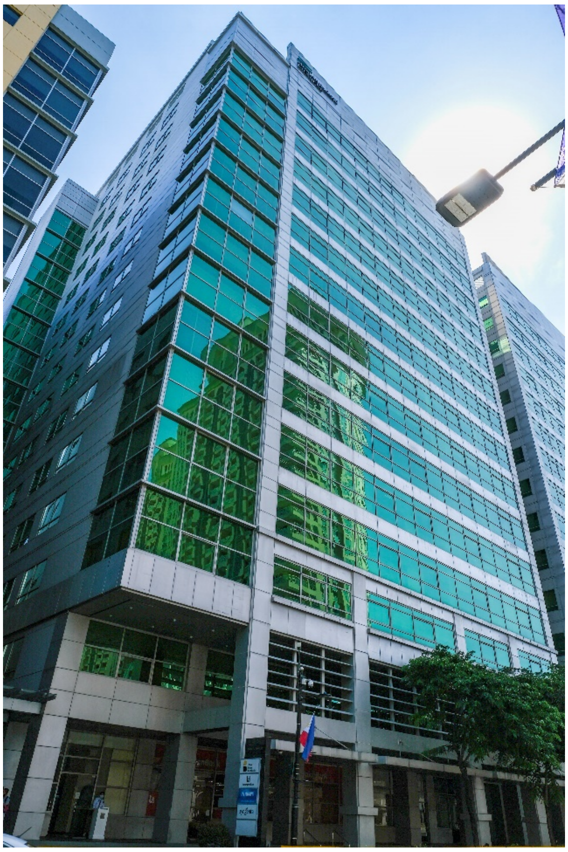
The Grade A 16-storey Two World Square office tower rises along Upper McKinley Road, a short walk away from the man-made Venice Grand Canal, the leisure and retail showcase of McKinley Hill. The building, which is located in a PEZA-registered zone, is connected to One World Square and Three World square via a covered walkway. Designed to offer additional convenience to occupants of the building, retail shops have been provided at the ground level.

Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 21,286.4 sqm.

In terms of geography, Two World Square is set about 170 meters northwest from the Venice Grand Canal Mall; about 415 meters east from the intersection of Upper McKinley Road, McWest Boulevard and Lawton Avenue; about 520 meters southwest from the Korean International School; about 730 meters southeast from the McKinley West Festival Grounds; and approximately 830 meters northeast from the Philippine Army Grandstand.

The building features six high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security.

Two World Square and Three World Square each have a separate lobby and a floor plate of 1,500 sqm each. However, the buildings were designed so that the floors could be combined, increasing the total area per floor to 3,000 sqm.



Key Asset Information

Address	Upper McKinley Road, Barangay Pinagsama, Taguig City
Building Completion	2009
Operating Date	January 2009
Refurbishment / Renovation	N/A
No. of Floors	16 floors
GLA (sqm)	21,286.4
Gross Rental Income*	₱132.0 million (US$2.7 million)
Occupancy Rate**	94.1%
Committed Occupancy Rate**	94.1%
No. of Tenants**	11 tenants
Valuation***	₱5,501.0 million (US$113.5 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	211.6	189.1	144.5	110.1	132.0
	As of June 30,			**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	100.0%	65.7%	94%	94.1%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

Two World Square had 11 tenants as of March 31, 2021 and its major tenants are primarily from the BPO/traditional office sector, including related party, Megaworld Corporation.

The table below sets out selected information about Two World Square's five largest tenants (based on GLA) as of March 31, 2021.

	Tenant	Sector	% of total GLA of Two World Square
1	Megaworld Corporation	Traditional office	21.3%
2	Holcim Philippines, Inc.	Traditional office	14.2%
3	Ingram Micro Philippines BPO LLC	BPO	14.2%
4	Colgate Palmolive Philippines, Inc.	Traditional office	7.1%
5	DDB Philippines, Inc.	Traditional office	7.1%
	TOTAL		63.8%

As of March 31, 2021, the top five largest tenants in Two World Square accounted for 63.8% of GLA and contributed 57.6% of its total Rental Income for the nine months ended March 31, 2021. For the same period, the BPO/traditional office sector representing 93.6% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

Megaworld Corporation leases approximately 21.3% of the GLA of Two World Square as of March 31, 2021 and contributed 23.1% of its total Rental Income for the nine months ended March 31, 2021.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the fiscal year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of Two World Square	Percentage of Expiring Rental Income to Total Rental Income of Two World Square
2021	-	-	-
2022	1,914.8	9.0%	14.4%
2023	9,058.8	42.6%	44.1%
2024	1,509.8	7.1%	5.8%
2025 and beyond	7,549.0	35.5%	35.7%

As of the date of this REIT Plan, all of the expiring GLA for 2021 have been renewed.

Three World Square

Located in McKinley Hill, a PEZA-registered zone, Three World Square is a Grade A, 16-storey office tower developed by the Sponsor. Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 21,216.6 sqm.

Aside from its proximity to Venice Grand Canal as a leisure attraction, the development has its own retail offerings at the ground level. Three World Square is connected to One World Square and Two World Square via a covered walkway.

Aside from 24-hour security, Three World Square is equipped with six high-speed elevators, a fire alarm and smoke detection system, and a back-up generator.

Three World Square and Two World Square each have a separate lobby and a floor plate of 1,500 sqm each. However, the buildings were designed so that the floors could be combined, increasing the total area per floor to 3,000 sqm.

Key Asset Information

Address	Upper McKinley Road, Barangay Pinagsama, Taguig City
Building Completion	2010
Operating Date	March 2010
Refurbishment / Renovation	N/A
No. of Floors	16 floors
GLA (sqm)	21,216.6
Gross Rental Income*	₱156.7 million (US$3.2 million)
Occupancy Rate**	99.7%
Committed Occupancy Rate**	99.7 %
No. of Tenants**	11 tenants
Valuation***	₱5,190.0 million (US$107.1 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			**For the nine months ended March 31,**	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	197.4	199.9	183.1	134.7	156.7
	As of June 30,			**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	99.9%	92.7%	99.7%	99.7%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

Three World Square had 11 tenants as of March 31, 2021 and its major tenants are primarily from the BPO/traditional office sector, including related party, Megaworld Corporation.

The table below sets out selected information about Three World Square's five largest tenants (excluding Megaworld Corporation) (based on GLA) as of March 31, 2021.

	Tenant	**Sector**	**% of total GLA of Three World Square**

1	Ingram Micro Philippines BPO LLC	BPO	35.6%
2	Refinitiv Asia Pte. Ltd. - Philippine Branch	BPO	14.2%
3	DXC	BPO	14.2%
4	Colgate Palmolive Philippines, Inc.	Traditional office	7.1%
5	Holcim Philippines Inc.	Traditional office	7.1%
	TOTAL		**78.3%**

As of March 31, 2021, the top five tenants in Three World Square accounted for 78.3% of GLA and contributed 67.9% of its total Rental Income for the nine months ended March 31, 2021. For the same period, the BPO/traditional office sector representing 97.1% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

Megaworld Corporation leases approximately 7.1% of the GLA of Three World Square as of March 31, 2021 and contributed 7.9% of its total Rental Income for the nine months ended March 31, 2021.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the fiscal year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of Three World Square	Percentage of Expiring Rental Income to Total Rental Income of Three World Square
2021	-	-	-
2022	3,028.41	14.3%	19.0%
2023	7,549.0	35.6%	36.7%
2024	6,038.4	28.5%	26.0%
2025 and beyond	4,529.4	21.3%	18.4%

As of the date of this REIT Plan, all of the expiring GLA for 2021 have been renewed.

E-Commerce Plaza

E-Commerce Plaza is a Grade A, PEZA-accredited, 10-storey office tower with one basement level developed by the Sponsor. It is located in Eastwood City, Quezon City. Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 20,940.2 sqm.

E-Commerce Plaza has a large floor plate of more than 2,000 sqm and has been 100.0% occupied from 2018 to the present. Workers in the building conveniently enjoy the live-work-play-learn lifestyle of Eastwood City.

The building has six high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security.

Key Asset Information

Address	Garden Road, Eastwood Cybercity, Brgy. Bagumbayan, Quezon City
Building Completion	2008
Operating Date	January 2008
Refurbishment / Renovation	N/A
No. of Floors	10 office floors and 1 basement level
GLA (sqm)	20,940.2
Gross Rental Income*	₱147.7 million (US$3.0 million)
Occupancy Rate**	100.0%
Committed Occupancy Rate**	100.0%
No. of Tenants**	9 tenants
Valuation***	₱4,279.0 million (US$88.3 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	168.9	177.5	192.2	144.7	147.7
	As of June 30,			**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	100.0%	100.0%	100.0%	100.0%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

E-Commerce Plaza had nine tenants as of March 31, 2021 and its major tenants are primarily from the BPO sector.

The table below sets out selected information about E-Commerce Plaza's five largest tenants (based on GLA) as of March 31, 2021.

	Tenant	Sector	% of total GLA of E-Commerce Plaza
1	Hinduja Global Solutions Ltd. by Antonio de la Cruz	BPO	20.6%

2	Majorel Philippines Corp.	BPO	17.8%
3	vCustomer Philippines Inc.	BPO	10.6%
4	Sequential Technologies Philippines Pvt. Ltd., Inc.	BPO	10.5%
5	TTEC India Customer Solutions Private Limited	BPO	10.5%
	OWNED		**70.0%**

As of March 31, 2021, the top five largest tenants in the E-Commerce Plaza accounted for 70% of GLA and contributed 68.3% of its total Rental Income for the nine months ended March 31, 2021. For the same period, the BPO/traditional office sector representing 100.0% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

There is no related party tenant in this Property.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the fiscal year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of E-Commerce Plaza	Percentage of Expiring Rental Income to Total Rental Income of E-Commerce Plaza
2021	3,167.2	15.1%	16.4%
2022	-	-	-
2023	11,857.04	56.6%	56.1%
2024	-	-	-
2025 and beyond	5,916.0	28.3%	27.5%

As of the date of this REIT Plan, 3,167.2 sqm expiring GLA this June 2021 is under negotiation.

8/10 Upper McKinley Building

8/10 Upper McKinley Building located in a PEZA-registered zone is a Grade A, 10-storey office tower developed by the Sponsor in McKinley Hill, Taguig City. Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 19,937.5 sqm.

The building's location in the 50-hectare McKinley Hill makes it an ideal jump-off point to enjoy the township's live-work-play-learn lifestyle. 8/10 Upper McKinley Road is set 270 meters east from the intersection of Upper McKinley Road, McWest Boulevard and Lawton Avenue; about 280 meters northwest from the Venice Grand Canal Mall; about 530 meters southeast from the McKinley West Festival Grounds; about 630 meters southwest from the Korean International School; and approximately 680 meters northeast from the Philippine Army Grandstand.

A unique feature of 8/10 Upper McKinley Road is its interleaved design—with two separate ground-level lobbies servicing the low-rise and high-rise portions of the building. When combined, floor plates are large, reaching up to more than 2,300 sqm. Refurbishments are ongoing, with the main lobbies being recently renovated.

The building features four high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security.

Key Asset Information

Address	Upper McKinley Road, Barangay Pinagsama, Taguig City
Building Completion	2009
Operating Date	February 2010
Refurbishment / Renovation	2021 (on-going)
No. of Floors	9 floors (Ground, 3rd to 10th floors)
GLA (sqm)	19,937.5 sqm
Gross Rental Income*	₱144.2 million (US$3.0 million)
Occupancy Rate**	76.9%
Committed Occupancy Rate**	76.9%
No. of Tenants**	4 BPO/traditional office tenants and 4 retail tenants
Valuation***	₱4,660.0 million (US$96.1 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	226.2	243.5	233.4	177.9	144.2

	As of June 30,			As of March 31,
	2018	**2019**	**2020**	**2021**
Occupancy Rate (%)	94.1%	100.0%	76.9%	76.9%

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

8/10 Upper McKinley Building had four BPO/traditional office tenants and four retail tenants as of March 31, 2021, and its major tenants are primarily from the BPO/traditional office sector.

The table below sets out selected information about 8/10 Upper McKinley Building's four largest tenants (based on GLA) as of March 31, 2021.

	Tenant	Sector	% of total GLA of 8/10 Upper McKinley Building
1	Google Services Philippines, Inc.	BPO	34.7%
2	Refinitiv Asia Pte. Ltd. - Philippine Branch	BPO	23.1%

3	TSD Global Philippine Branch	BPO	11.6%
4	Unicity Network Philippines, Inc.	Traditional office	4.3%
	TOTAL		**73.7%**

As of March 31, 2021, the four largest tenants in the 8/10 Upper McKinley Building in terms of GLA accounted for approximately 73.7% of GLA and contributed 93.5% of its total Rental Income for the year ended March 31, 2021. For the same period, the BPO/traditional office sector representing 96.1% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

There is no related party tenant in this Property.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the fiscal year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of 8/10 Upper McKinley Building	Percentage of Expiring Rental Income to Total Rental Income of 8/10 Upper McKinley Building
2021	-	-	-
2022	2,306.0	11.6%	13.6%
2023	2,306.0	11.6%	19.8%
2024	7,187.5	36.1%	53.8%
2025 and beyond	3,526.5	17.7%	12.8%

As of the date of this REIT Plan, all of the expiring GLA for 2021 have been renewed.

18/20 Upper McKinley Building

Set in McKinley Hill, a PEZA-registered Zone, 18/20 Upper McKinley Building is a Grade A, 10-storey office tower developed by the Sponsor. Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 19,413.8 sqm.

The interleaved feature of 8/10 Upper McKinley Road has also been applied to this building. One lobby services its low-rise portion, while another separate lobby services the high-rise portion. The floor plates in the building, when combined, reach up to more than 2,300 sqm. The main lobbies at the ground level have been renovated recently, with additional refurbishments under way.

18/20 Upper McKinley Road has four high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security.

Key Asset Information

Address	Upper McKinley Road, Barangay Pinagsama, Taguig City
Building Completion	2009
Operating Date	August 2009
Refurbishment / Renovation	2021 (on-going)
No. of Floors	9 floors (Ground, 3rd to 10th floors)
GLA (sqm)	19,413.8 sqm
Gross Rental Income*	₱149.1 million (US$3.1 million)
Occupancy Rate**	99.9%
Committed Occupancy Rate**	99.9%
No. of Tenants**	4 BPO/traditional office tenants and 2 retail tenants
Valuation***	₱4,337.0 million (US$89.5 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	170.8	161.6	127.7	86.3	149.1
	As of June 30,			**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	94.1%	100.0%	99.9%	99.9%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

18/20 Upper McKinley Building had four BPO/traditional office tenants and two retail tenants as of March 31, 2021, and its major tenants are primarily from the BPO sector.

The table below sets out selected information about the four largest tenants (based on GLA) as of March 31, 2021.

	Tenant	Sector	% of total GLA of 18/20 Upper McKinley Building
1	Cognizant Technology Solutions Philippines, Inc.	BPO	35.6%

2	Refinitiv Asia Pte. Ltd. - Philippine Branch	BPO	26.3%
3	The Thomson Reuters Corporation Pte. Ltd. - Philippine Branch	BPO	23.8%
4	IGT Technologies Philippines Inc.	BPO	11.9%
	TOTAL		**97.6%**

As of March 31, 2021, the four largest tenants in the 18/20 Upper McKinley Building in terms of GLA accounted for approximately 97.6% of GLA and contributed 94.4% of its total Rental Income for the year ended March 31, 2021. For the same period, the BPO sector representing 94.4% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

There is no related party tenant in this Property.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the fiscal year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of 18/20 Upper McKinley Building	Percentage of Expiring Rental Income to Total Rental Income of 18/20 Upper McKinley Building
2021	-	-	-
2022	195.8	1.0%	3.1%
2023	-	-	-
2024	2,306.0	11.9%	12.5%
2025 and beyond	16,911.0	87.1%	84.4%

As of the date of this REIT Plan, all of the expiring GLA for 2021 have been renewed.

B. ILOILO PROPERTIES

One Techno Place Iloilo

One Techno Place Iloilo is a Grade A, 4-storey office tower developed by the Sponsor. It is located in Iloilo Business Park, a PEZA-registered zone, the Sponsor's first integrated township in Iloilo City. Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate GLA of 9,548.7 sqm.

Spanning 72 hectares, Iloilo Business Park is geared to be "the next central business district' in Iloilo City." Megaworld is investing ₱35.0 billion for its development over the next 10 years, as it is the Company's biggest and most exciting venture in Western Visayas. The township is not only home to luxury residential condominiums, state-of-the-art BPO office towers, a mall, a boutique hotel and commercial district, the Iloilo Convention Center, and the 1.1-kilometer Festive Walk commercial and retail strip, but also to open parks and a transport hub.

The building is situated in the eastern corner of Megaworld Boulevard and Enterprise Road; about 100 meters east from the Iloilo Convention Center; about 200 meters southeast from Festive Walk Mall; about 200 meters northeast from Marriott Hotel Iloilo; about 350 meters southwest from the Bureau of Immigration; and approximately 1.1 kilometers southeast from the Western Visayas Medical Center.

One Techno Place has two ground-level lobbies that service its two separate structures. When combined, the structures form large floor plates of up to 2,800 sqm, while the two lobbies are conveniently maintained. In addition, the building is equipped with four high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security.

Key Asset Information

Address	Access Road, Barangay Buhang, Mandurriao, Iloilo City
Building Completion	2017
Operating Date	June 2017
Refurbishment / Renovation	N/A
No. of Floors	4 floors
GLA (sqm)	9,548.7
Gross Rental Income*	₱41.9 million (US$0.9 million)
Occupancy Rate**	95.1%
Committed Occupancy Rate**	95.1%
No. of Tenants**	1 BPO/traditional office tenant and 2 retail tenants
Valuation***	₱1,170.0 million (US$24.1 million)

**For the nine months ended March 31, 2021*
***As of March 31, 2021*
****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	48.7	52.0	54.1	40.6	41.9
	As of June 30,			**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	97.0%	96.0%	96.0%	95.1%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

One Techno Place Iloilo had one BPO/traditional office tenant and two retail tenants as of March 31, 2021 and its major tenants are from the BPO sector.

The table below sets out selected information about the sole major tenant (based on GLA) as of March 31, 2021.

	Tenant	Sector	% of total GLA of One Techno Place Iloilo
1	RMS Collect Phils. Inc.	BPO	96.0%
2	Globewest Finance Corp	Retail	0.5%
3	Pan De Manila Food Co	Retail	0.9%

As of March 31, 2021, RMS Collect Phils. Inc. accounted for 96.0% of GLA and contributed 99.9% of the total Rental Income for the nine months ended March 31, 2021. For the same period, the BPO sector representing 94.7% of Rental Income was the most significant contributor to Rental Income.

Related Party Tenants

There is no related party tenant in this Property.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the year ended June 30,	Expiring GLA (sqm)	Expiring GLA as a % of total GLA of One Techno Place Iloilo	Percentage of Expiring Rental Income to Total Rental Income of One Techno Place Iloilo
2021	-	-	-
2022	9,084.2	95.1%	100.0%
2023	-	-	-
2024	-	-	-
2025 and beyond	-		-

As of the date of this REIT Plan, there are no expiring GLA in 2021.

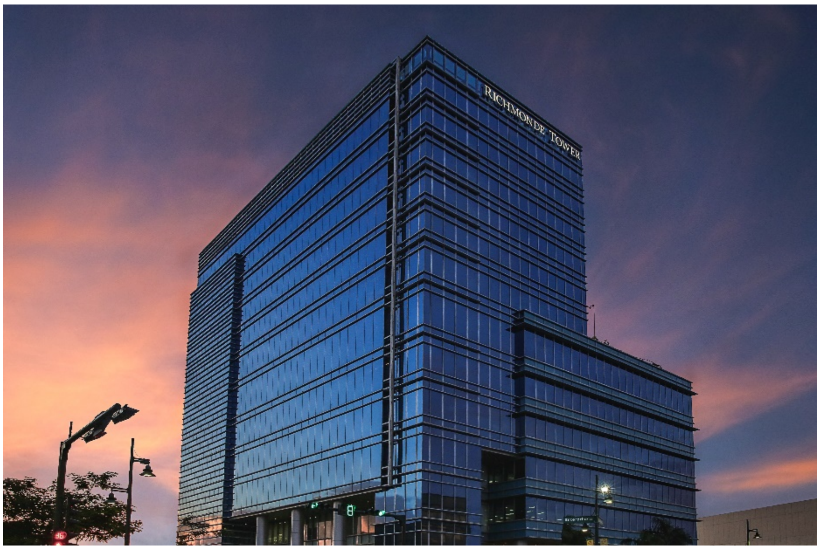
Richmonde Tower and Hotel Iloilo

Richmonde Tower and Hotel Iloilo, set in Iloilo Business Park, Iloilo City, a PEZA-registered zone, is a Grade A, 12-storey tower developed by the Sponsor. Following the completion of the Property-for-Share Swap, our Company owns the building with an aggregate office GLA of 13,123.9 sqm.

In terms of geography, Richmonde Tower and Hotel Iloilo is located along the western corner of Megaworld Boulevard and Enterprise Road; about 110 meters north from the Iloilo Convention Center; about 120 meters south from Festive Walk Mall; about 220 meters north from Marriott Hotel Iloilo; about 400 meters southwest from the Bureau of Immigration; and approximately 1 kilometer southeast from the Western Visayas Medical Center.

One part of the mixed-use development along Megaworld Boulevard is Richmonde Hotel Iloilo, with eight levels offering 6,769.1 sqm of space. It is the first hotel in the township featuring 149 well-appointed hotel rooms. Richmonde Hotel Iloilo holds its own against 5-star hotel brands with its unique brand of hospitality, quality of service and value for money. The hotel features first-class amenities, including an on-site bar and restaurant, as well as an outdoor pool with expansive views. The other part of the development is Richmonde Tower with three office floors.

The building has nine high-speed elevators, a fire alarm and smoke detection system, a back-up generator, and 24-hour security.



Key Asset Information

Address	Airport Road, Barangay Abeto Mirasol, Mandurriao, Iloilo City
Building Completion	2016
Operating Date	January 2016
Refurbishment / Renovation	N/A
No. of Floors	8 hotel floors and 3 office floors (out of the 12-storey building)
Parking Slots	40 slots
GLA (sqm)*	13,123.9
Gross Rental Income**	₱76.6 million (US$ 1.6 million)
Office Occupancy Rate***	100.0%
Office Committed Occupancy Rate***	100.0%
Hotel Occupancy Rate	100.0%
No. of Tenants***	2 BPO/traditional office tenants
Valuation****	₱1,587.0 million (US$32.7 million)

**This includes 6,769.1 sqm covering the Richmonde Hotel Iloilo leased by the Sponsor.*
***for the nine months ended March 31, 2021*
****as of March 31, 2021*
*****According to SKF, as of March 31, 2021*

Historical Asset Information

	For the fiscal year ended June 30,			For the nine months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
Gross Rental Income* (₱ million)	91.6	93.5	93.2	69.3	76.6
		As of June 30,		**As of March 31,**	
	2018	**2019**	**2020**	**2021**	
Occupancy Rate (%)	81.0%	83.0%	100.0%	100.0%	

**As derived from the Combined Carve-out Financial Statements*

Tenant Profile

Richmonde Hotel Iloilo does not have any office or retail tenants as of March 31, 2021. However, our Company and the Sponsor entered into a contract of lease over Richmonde Hotel Iloilo. Commencing June 1, 2021, the Sponsor shall lease Richmonde Hotel Iloilo from our Company for 25 years, renewable for another 25 years under mutually acceptable terms. Monthly rental for the first 11[23] years is set at ₱4,700,000.00, exclusive of VAT, DST

[23] June 11, 2021 Amended and Restated Contract of Lease.

and other taxes which shall be borne by the Sponsor. Monthly rental for years 12 to 25 shall be ₱3,000,000.00 plus 5% of the gross rooms rental revenue per month, exclusive of VAT, DST and other taxes which shall be borne by the Sponsor.

Richmonde Tower had two BPO/traditional office tenants as of March 31, 2021 from the BPO sector. The table below sets out selected information about Richmonde Tower's two BPO/traditional office tenants as of March 31, 2021.

	Tenant	Sector	% of total GLA of Richmonde Tower
1	Reed Elsevier Philippines	BPO	83.0%
2	RMS Collect Phils. Inc.	BPO	17.0%
	TOTAL		**100.0%**

As of March 31, 2021, the two BPO/traditional office tenants of Richmonde Tower accounted for 100.0% of GLA and contributed 100.0% of the Rental Income for the nine months ended March 31, 2021. For the same period, the BPO sector represented 100.0% of Rental Income.

Related Party Tenants

There is no related party tenant for the Richmonde Tower. Commencing June 1, 2021, the Sponsor shall lease Richmonde Hotel Iloilo from our Company for 25 years, renewable for another 25 years under mutually acceptable terms. Monthly rental for the first 11[24] years is set at ₱4,700,000.00, exclusive of VAT, DST and other taxes which shall be borne by the Sponsor. Monthly rental for years 12 to 25 shall be ₱3,000,000.00 plus 5% of the gross rooms rental revenue per month, exclusive of VAT, DST and other taxes which shall be borne by the Sponsor. The Sponsor shall contribute 100% of the total Rental Income Richmonde Hotel Iloilo commencing June 1, 2021.

Lease Expiries and Renewals

The table below sets out details of the lease expiry profile as of March 31, 2021 for the periods indicated.

For the fiscal year ended June 30,	Expiring GLA (sqm) of Richmonde Tower*	Expiring GLA as a % of total GLA of Richmonde Tower*	Percentage of Expiring Rental Income to Total Rental Income of Richmonde Tower*
2021	-	-	-
2022	1,080.2	17.0%	26.7%
2023	-	-	-
2024	-	-	-
2025 and beyond	5,273.8	83.0%	73.3%

**This excludes 6,769.1 sqm covering the Richmonde Hotel Iloilo leased by the Sponsor.*

As of the date of this REIT Plan, none of the lease contracts are due for renewal.

[24] June 11, 2021 Amended and Restated Contract of Lease.

INDUSTRY OVERVIEW

Certain information in this REIT Plan has been extracted and directly quoted from the commissioned industry report prepared by LPC for inclusion in this REIT Plan (which is attached as Annex 4 (*Office Market Research Report*)) (the "**LPC Report**"), and such information reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a material research tool. References to LPC in this REIT Plan should not be considered as the opinion of LPC as to the value of any security or the advisability of investing in the Company.

The information prepared by LPC and set out in Annex 4 (*Office Market Research Report*) and elsewhere in this REIT Plan has not been independently verified by the Company, the Sponsor, the International Bookrunners and the Domestic Underwriters, and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

The LPC Report contains forward-looking statements that are provided as LPC's beliefs, expectations, forecasts or predictions for the future. All such statements relating to future matters are based on the information known to LPC at the date of preparing the LPC Report. LPC stresses that such statements should be treated as an indicative estimation of possibilities rather than absolute certainties. The forecast process involves assumptions about a substantial number of variables, which are highly responsive to changing conditions. Variations of any one of the variables may significantly affect outcomes and LPC draws the attention of the reader to this. Therefore, LPC cannot assure that the forecasts outlined in the LPC Report will be achieved or that such forward-looking statements will prove to be correct. Interested parties must be cautioned not to place undue reliance on such statements.

Where as a result of new available information, future events or otherwise, LPC undertakes no obligation to publicly update or revise any forward-looking statements contained in the LPC Report, except as required by law. LPC has relied upon external third-party information in producing the LPC Report, including the forward-looking statements. LPC draws to the reader's attention that there is no independent verification of any of the external party documents or information referred to in the LPC Report. Actual results and future events could differ materially from such forecasts. Investors should not place undue reliance on such statements, or on the ability of any party to accurately predict future industry trends or performance. The LPC Report is limited to the matters stated in it and no opinion is implied or may be inferred beyond the matters expressly stated therein. The information in the LPC Report should be regarded solely as a general guide. While care has been taken in its preparation, no representation is made or responsibility is accepted for the accuracy of the whole or any part.

The opinions expressed in the LPC Report are subject to changes and therefore does not constitute, nor constitute part of, an advice, offer or a contract.

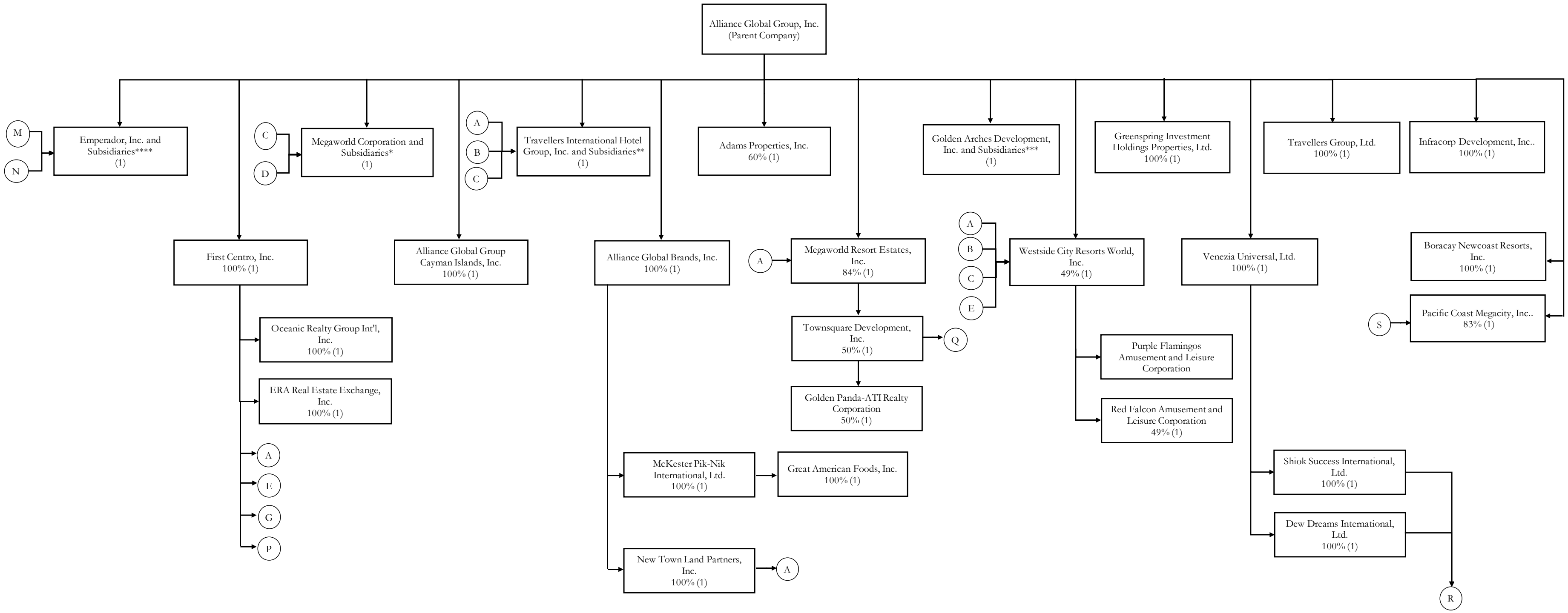
THE SPONSOR

OVERVIEW OF OUR SPONSOR

Our Sponsor, Megaworld Corporation, is one of the leading property developers in the Philippines and is primarily engaged in the development of large scale mixed-use planned communities, or community townships, that comprise residential, commercial and office developments and integrate leisure, entertainment and educational/training components. As of March 31, 2021, it had 26 master-planned integrated urban townships, integrated lifestyle communities and lifestyle estates across the country featuring a real estate portfolio of residential condominium units, subdivision lots and townhouses, as well as office space and leasable mall and retail space. Megaworld is listed on the PSE and as of March 31, 2021 had a market capitalization of ₱114.1 billion (US$2.4 billion). According to LPC, as of March 31, 2021, Megaworld Corporation is the biggest developer of office spaces in the Philippines with about 1.4 million sqm of office space GLA. As of the date hereof, the authorized representative of the Sponsor, as the selling shareholder, is its Chief Operating Officer, Ms. Lourdes T. Gutierrez-Alfonso.

Megaworld Corporation is one of the Subsidiaries of Alliance Global Group, Inc. Below is the conglomerate map showing the group structure of Alliance Global Group, Inc. and indicating the percentage ownership among related entities.

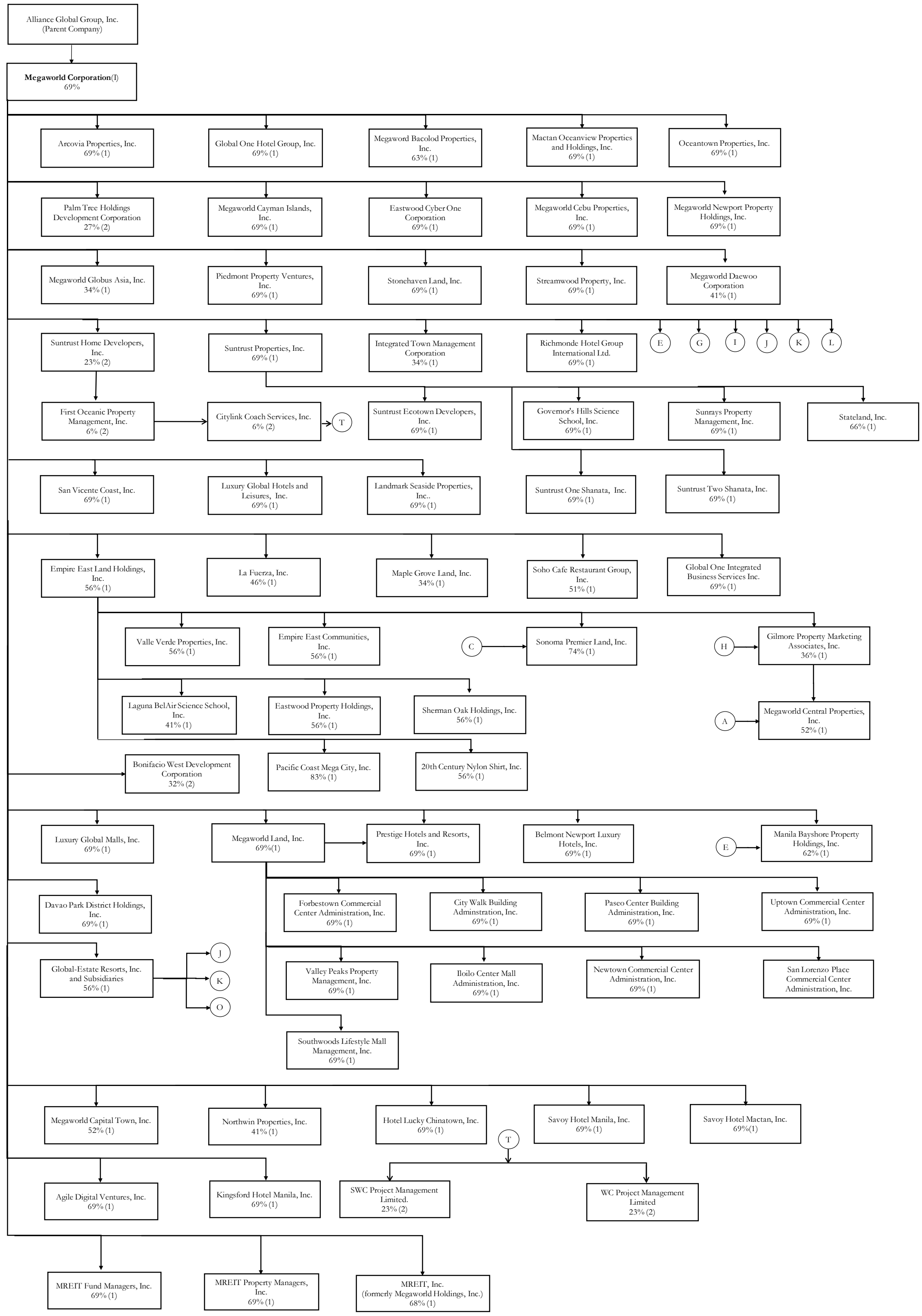
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
March 31, 2021



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.	S	Empire East Land Holdings, Inc.
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	Southwoods Mall, Inc.	T	Suntrust Home Developers, Inc.

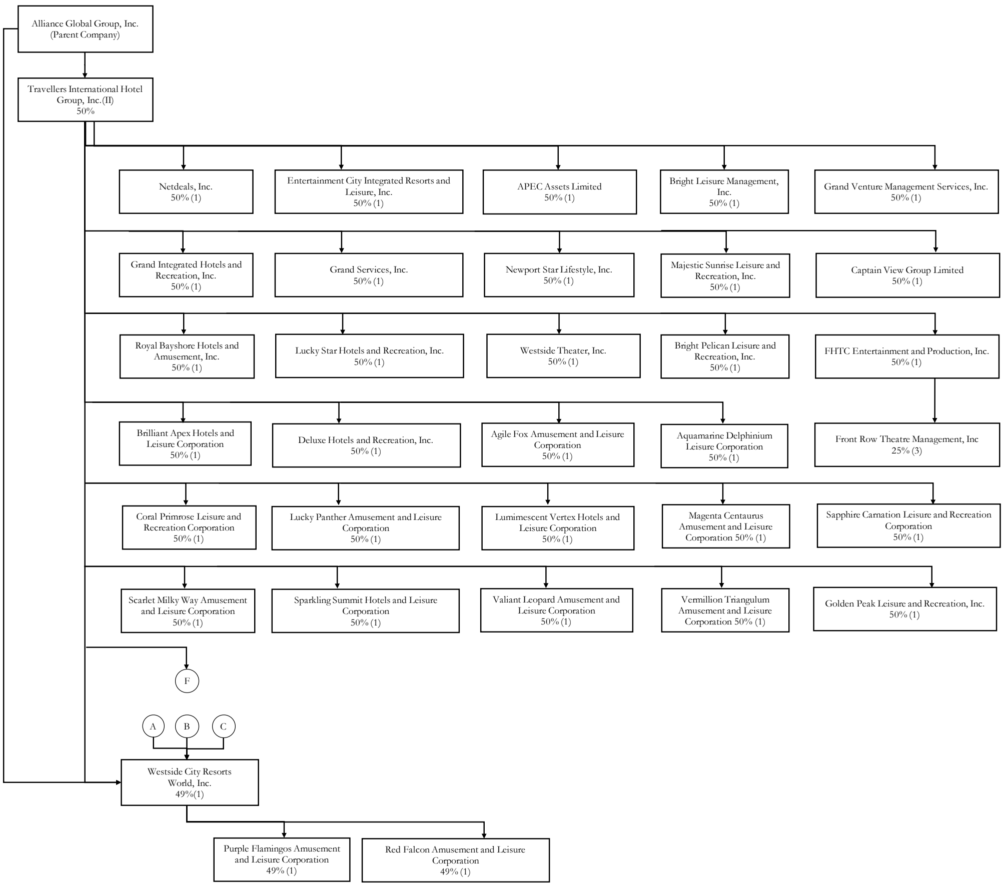
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
March 31, 2021



Legend
Relationship with Megaworld Corporation
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	E	Travellers International Hotel Group, Inc.	I	Megaworld Resort Estates, Inc.	M	Shiok Success International, Ltd.	Q	Gilmore Property Marketing Associates, Inc.
B	Adams Properties, Inc.	F	Manila Bayshore Property Holdings, Inc.	J	Twin Lakes Corporation	N	Dew Dreams International, Ltd.	R	Emperador Inc.
C	First Centro, Inc.	G	Westside City Resorts World, Inc.	K	Megaworld Global Estates, Inc.	O	Southwoods Mall, Inc.	S	Empire East Land Holdings, Inc.
D	Newtown Land Partners, Inc.	H	Townsquare Development, Inc.	L	Megaworld Central Properties, Inc.	P	Sonoma Premier Land, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
March 31, 2021



Legend

Relationship with Travellers International Hotel Group, Inc.

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

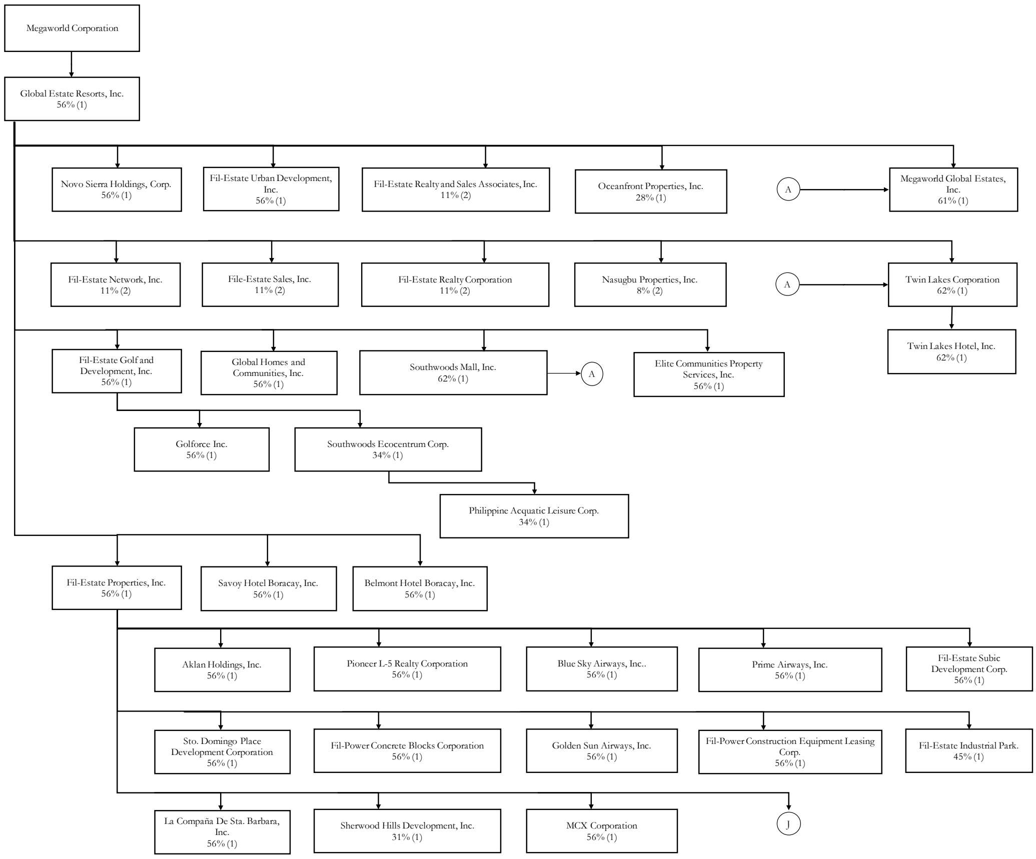
A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group
March 31, 2021

Legend
Relationship with Golden Arches Development Corporation
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
March 31, 2021

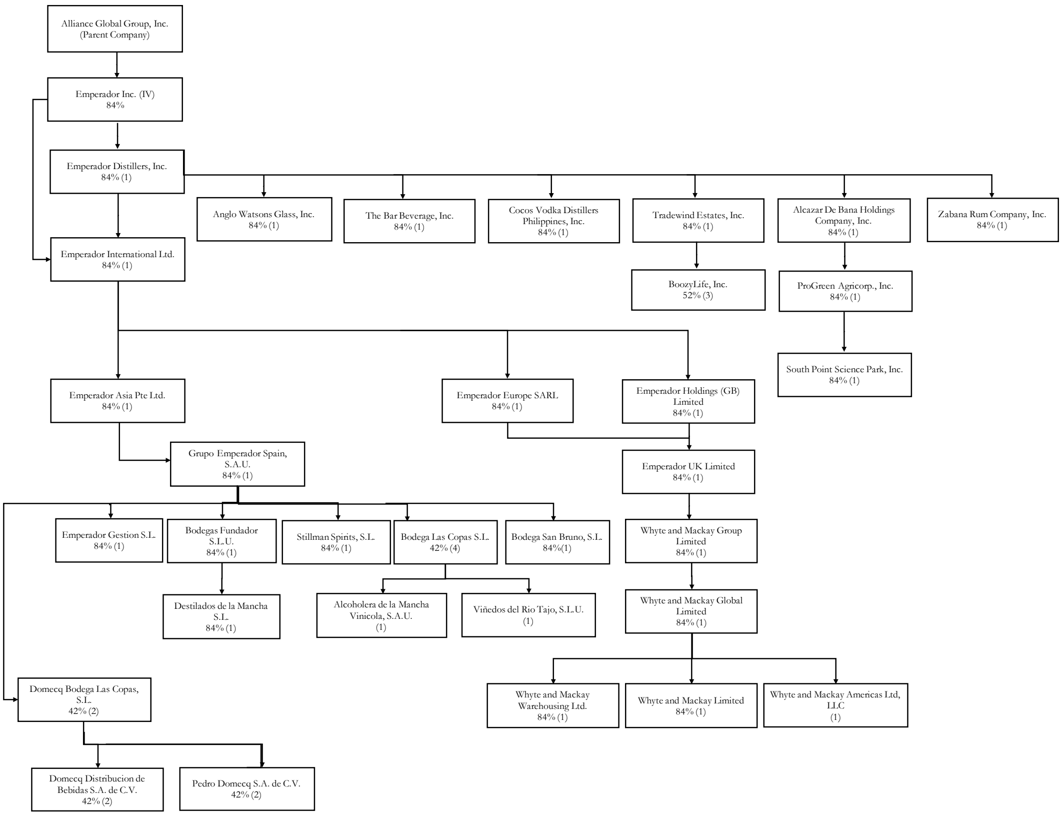


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Emperador Group
March 31, 2021



Legend
Relationship with Emperador Inc.
(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (62%)
(4) Jointly Controlled Entity

HISTORY OF OUR SPONSOR

The Sponsor was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 under the name of Megaworld Properties & Holdings, Inc. The Sponsor was primarily organized to engage in real estate development, leasing and marketing. In 1994, the Sponsor spun off Empire East Land Holdings, Inc. which focused on the middle-income market. On August 19, 1999, the Sponsor changed its name to Megaworld Corporation to coincide with the Sponsor's conversion from a purely real estate company into a holding company, although the Sponsor continues to focus on its core competence in real estate development. The Sponsor's common stock was first listed on the PSE on June 15, 1994 (under listing code "MEG").

Track Record of the Sponsor

From 1989 to 1996, the Sponsor garnered a reputation for building high-end residential condominiums and office buildings on a standalone basis throughout Metro Manila. In 1996, the Sponsor shifted its focus to providing office buildings to support BPO businesses when it began development of the Eastwood City township. In 1999, Eastwood City Cyberpark became the first IT park in the Philippines to be designated a Philippine Economic Zone Authority ("PEZA") special economic zone.

Since its incorporation in 1989, the Sponsor and its affiliates have launched more than 725 residential buildings, 72 premier offices, 24 lifestyle malls and commercial centers and 12 hotel brands including condotels. Some of the notable projects and milestones of the Sponsor and its Subsidiaries include the following:

Throughout its history, the Sponsor has been recognized by numerous institutions and prestigious international awards organizations for its property and real estate development capabilities, good corporate governance, corporate and social responsibility initiatives, and other achievements, including the following:

MEGAWORLD

For its various achievements, Megaworld has been recognized by numerous institutions and prestigious international award organizations:

2016

Award	Recognition
Philippines Property Awards	BEST DEVELOPER OF THE YEAR
FIABCI Property and Real Estate Excellence Awards	DEVELOPER OF THE YEAR
BCI Asia Awards	TOP DEVELOPERS IN THE PHILIPPINES

2017

Award	Recognition
Philippines Property Awards	BEST DEVELOPER OF THE YEAR
FIABCI Property and Real Estate Excellence Awards	OVERALL OUTSTANDING DEVELOPER
EuroMoney Real Estate Awards	BEST OVERALL DEVELOPER

2018

Award	Recognition
Asia Property Awards	BEST DEVELOPER IN ASIA
Philippines Property Awards	BEST DEVELOPER OF THE YEAR (Hall of Fame)
International Finance Awards	BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES
FIABCI Property and Real Estate Excellence Awards	OUTSTANDING DEVELOPER (Hall of Fame)
The Outlook - Philippine Buyers' Choice Property Awards	BEST DEVELOPER OF THE YEAR FOR VISAYAS AND MINDANAO

2019

Award	Recognition
International Finance Awards	BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES
Asia Leaders Awards	REAL ESTATE COMPANY OF THE YEAR

2020

International Finance Awards

- BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES
- 3G EXCELLENCE CORPORATE GOVERNANCE AWARD

Global Good Governance Awards

- 3G CREATIVITY AND INNOVATION AWARD

THE FUND MANAGER AND THE PROPERTY MANAGER

OUR FUND MANAGER

Our Fund Manager is MREIT Fund Managers, Inc., a corporation organized under the laws of the Philippines on November 18, 2020. Its registered office is at the 19th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City. Our Fund Manager is a wholly-owned subsidiary of the Sponsor. Our Fund Manager's main responsibility is to manage our Company's assets and liabilities for the benefit of our Company's Shareholders, with a focus on generating Rental Income and, if appropriate, increasing our Company's assets over time so as to enhance the returns from the investments of the MREIT and, ultimately, the distributions to our Company's Shareholders.

Save as is disclosed in this REIT Plan, the Fund Manager is not engaged in any property fund business in the Philippines.

The Fund Manager has general power of management over the assets of the Company, pursuant to the Fund Management Agreement, a five-year, renewable agreement defining the relationship between the Company and the Fund Manager. See "*Certain Agreements Relating to our Company and the Properties—Fund Management Agreement*." Pursuant to the Fund Management Agreement, the Fund Manager's main responsibility is to manage our Company's assets and liabilities for the benefit of our Shareholders. The Fund Manager will manage the assets of our Company with a focus on generating Rental Income and, if appropriate, increasing the Company's assets over time so as to enhance the returns from the investments of our Company and, ultimately, the distributions to our Shareholders. For a more detailed discussion on the Company's strategy, see the section entitled "*Business and Properties—Key Strategies*" in this REIT Plan.

The Fund Manager shall, pursuant to the provisions of the REIT Law and the Fund Management Agreement, perform the following general functions:

- implement the investment strategies of our Company by:
    - determining the allocation of our Company's assets to the allowable investment outlets in accordance with this REIT Plan and our investment strategies; and
    - selecting income-generating real estate in accordance with the investment strategies of our Company.

For this purpose, however, notwithstanding the written instructions of our Company, it shall be the fiduciary responsibility of the Fund Manager to:

- objectively evaluate the desired investments, and formally advise the Company of its recommendation, even if contrary to the Company's instructions;
- oversee and coordinate property acquisition, leasing, operational and financial reporting (including operating budgets), appraisals, audits, market review, accounting and reporting procedures, as well as financing and asset disposition plans;
- cause a valuation of any of the real estate and other properties of our Company to be carried out by the Company's appointed property valuer once a year and whenever the Fund Manager believes that such valuation is appropriate;
- take all necessary measures to ensure:
    - that the Net Asset Value per Share of the Company is calculated as and when an annual valuation report is issued by the Company's appointed property valuer for the relevant period, and that such Net Asset Value per share is disclosed in the annual reports;
    - that the investment and borrowing limitations set out in this REIT Plan and the conditions under which the REIT was authorized are complied with;
    - that all transactions carried out by or on behalf of the Company are conducted at arm's length;

- that at all times the Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid, and binding and enforceable by or on behalf of the Company;

- that the Property Manager obtains adequate property insurance for the real properties of our Company from insurance companies approved by the Fund Manager;

- take custody of all relevant documents supporting the insurance taken on real properties of the Company;

- provide research and analysis on valuation and market movements of our Company's assets, including the monitoring of the real estate market for desirable opportunities and recommend, from time to time, to the Board, the formulation of new, additional, or revised investment policies and strategies;

- recommend the appropriate capital structure for our Company;

- manage assets and liabilities, including investment of corporate funds in money market placements and arrangement of debt for our Company;

- negotiate and finalize loan documents on behalf of our Company and determine debt drawdowns;

- recommend to the Board when to make capital calls and, where appropriate, enforce or cause the enforcement of remedies for failure of Shareholders to deliver capital contributions;

- open, maintain, and close accounts, including custodial accounts with banks, and subject to applicable Philippine law, including banks located outside the Philippines, and draw checks or other orders for the payment of monies;

- submit periodic reports ensuring that: (i) the three-year investment strategy prepared by the Company is submitted to the Philippine SEC and the PSE; and (ii) quarterly written reports on the performance of the Company's fund and properties and of the appropriate benchmarks are submitted to the Company, the Philippine SEC and the PSE within 45 days after the end of each quarter;

- do such other acts as is necessary or advisable in connection with the maintenance and administration of the assets of our Company including ensuring that all our investors are provided with appropriate and relevant information and communications as well as supervising all consultants and our other service providers;

- negotiate for and implementing the purchase of assets to be held by our Company for investment;

- perform legal review, documentation, structuring, and due diligence on assets to be acquired;

- where necessary in the reasonable determination of the Fund Manager, retain persons, firms or entities to provide certain management and administrative services, including tax, corporate secretarial, and accounting services;

- pursue various exit options and make necessary strategic recommendations to our Company;

- accredit insurance companies for purposes of providing a list of approved insurance companies to the Property Manager for the real properties of our Company;

- fully, properly, and clearly record and document all procedures and processes followed, and decisions made in relation to whether or not to invest in a particular property;

- establish and understand the investment objectives, instructions, risk profile, and investment restrictions of our Company prior to making any investment recommendations or carrying out any transactions for or on behalf of our Company;

- do any and all acts on behalf of our Company as it may deem necessary of advisable in connection with the management and administration of our Company's assets, including without limitation, the voting of assets, participation in arrangements with creditors, the institution and settlement of compromise of suits and administrative proceedings and other like or similar matters, and to perform all acts and enter into and perform all contracts and other undertakings that it may deem necessary or advisable or incidental thereto; and

- perform all such functions necessary and incidental to asset management.

In summary, the Fund Manager will set the strategic direction of our Company and make recommendations to the Board on the acquisition, divestment, or enhancement of assets of our Company in accordance with its investment strategy as stated in this REIT Plan. The research required for these purposes will be coordinated and carried out by the Fund Manager.

The Fund Manager will supervise the Property Manager, which will perform day-to-day property management functions at the Properties, including leasing, accounting, marketing, promotion, and insurance functions.

Further, the Fund Manager will prepare property plans on a regular basis which may contain proposals and forecasts on net income before tax, capital expenditure, sales and valuations, explanation of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs, and any other relevant assumptions. The purpose of these plans is to explain the performance of our Company's assets.

In the absence of fraud or negligence by the Fund Manager, it shall not incur liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the Fund Management Agreement.

Fund Management Fee

For the services provided under this Agreement, the Fund Manager will receive a Management Fee equivalent to 3.5% of our Company's Gross Revenue, exclusive of value-added taxes (hereafter referred to as the "**Fund Management Fee**"). The Fund Management Fee paid to the Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management.

For purposes of determining Gross Revenue, the Fund Manager shall be paid the Fund Management Fee based on an unaudited computation of our Company's Gross Revenue for the relevant year. In the event that there is a discrepancy in the unaudited and audited figures of the Gross Revenue, the Fund Management Fee paid to the Fund Manager for the relevant calendar year shall be correspondingly adjusted.

The Fund Management Fee shall be due and payable to the Fund Manager annually.

Termination of the Fund Management Agreement

Either the Company or the Fund Manager, as the case may be, may terminate the Fund Management Agreement on the following grounds:

- a material breach, default, or failure of either party to comply with its obligations and undertakings under the Fund Management Agreement;

- the cessation of the corporate existence of the Fund Manager or the Company;

- the failure of the Fund Manager to obtain or maintain any license required by applicable Philippine law for its appointment as Fund Manager and the performance of services;

- the insolvency of either party, or suspension of payment of its debts, or the commission by either party of any act of bankruptcy under applicable Philippine law; and

- the suspension or withdrawal or revocation of any material license or permit necessary for either party's performance of its obligations under the Fund Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either party's performance of its obligations under the Fund Management Agreement, and the effects of such suspension, withdrawal, or revocation of such license or permit, or such adverse decision cannot be remedied or persists or continues to remain un-remedied.

Conflict of Interest

If the Fund Manager has a material interest in a transaction with or for our Company, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction, it shall neither advise, nor deal in relation to the transaction unless it has fully disclosed that material interest or conflict to our Company and has taken all reasonable steps to ensure fair treatment of our Company.

The Fund Manager shall establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including our Company. It shall ensure that the amount of commission or management fee earned from any particular client or transaction shall not be the determining factor in the allocation of resources, and that there is an effective system of functional barriers (firewalls) in place to prevent the flow of information that may be price sensitive or material and non-public between the different areas of operations. Finally, the Fund Manager shall establish, maintain, and implement written policies and procedures to ensure that the interest of related parties shall not supersede the interests of the Company. It shall fully disclose such policies to our Company.

The Fund Manager has adopted its "Policy and Procedure on Confidentiality" to protect the integrity and confidentiality of the information relating to the funds and properties of the Company. It has also adopted its "Related Party Transactions Policy" which defines related party relationships and transactions and sets out guidelines and categories that will govern the review, approval and ratification of these transactions by the Board of Directors or Shareholders to ensure the related party relationships have been accounted for, and disclosed, in accordance with International Accounting Standard 24 on Related Party Disclosures and in accordance with the rules of the Philippine SEC on material related party transactions.

Directors and Executive Officers of the Fund Manager

The Fund Manager's board of directors is entrusted with the responsibility for the overall management of the Fund Manager, while the Fund Manager's executive officers, particularly the President and Chief Executive Officer, are responsible for implementation and will supervise the business of the Fund Manager. The current position, role, and business and working experience of each of the directors and executive officers of the Fund Manager is set out below:

Name	Age	Nationality	Position	Director Since
Roberto S. Guevara	70	Filipino	Chairman of the Board and Independent Director	November 19, 2020
Rolando J. Tiongson	51	Filipino	President and Chief Executive Officer	April 26, 2021
Enrique M. Soriano III	53	Filipino	Independent Director	November 19, 2020
Anthony T. Robles	66	Filipino	Independent Director	November 19, 2020
Jericho Andrew M. Barcelon	38	Filipino	Director	November 19, 2020
Joey I. Villafuerte	46	Filipino	Treasurer	
Sherwin C. de Joya	41	Filipino	Corporate Secretary and Data Protection Officer	
Giovanni C. Ng	47	Filipino	Compliance Officer	
Englebert G. Teh	30	Filipino	Corporate Planning Officer	
Marcelino G. Garillo	45	Filipino	Finance Officer	

The Board of Directors of our Fund Manager (the "**Fund Manager's Board**") is responsible for the overall corporate governance of our Fund Manager including establishing goals for management and monitoring the achievement of these goals. Our Fund Manager is also responsible for the strategic business direction and risk management of our Company. All Fund Manager's Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of directors. Our Fund Manager's Board has established a framework for the management of our Fund Manager and our Company, including a system of internal control and a business risk management process. Following Memorandum Circular No. 1, Series of 2020 issued by the SEC, our Fund Manager's Board comprises five members, three of whom are independent directors, with at least one (1) of them have a working knowledge of the real estate industry, fund management, corporate finance, or other relevant finance-related functions. The directors of the REIT and our Sponsor, jointly or separately, do not occupy more than 49% of the board of directors of our Fund Manager.

As of the date of this REIT Plan, our Fund Manager has over 220 years of accumulated experience in the areas of fund management, corporate finance, other relevant finance-related functions, property management in the real estate industry or in the development of the real estate industry. Its Chairman and President, and at least two of its full-time professionals, namely Englebert G. Teh and Marcelino G. Garillo, have track records and experience in the financial management and real estate industry for at least 15 years prior to joining our Fund Manager.

Key Officers	Position	Track Record	Finance	Fund Management	Property Management	Real Estate
Roberto S. Guevara	Chairman / Independent Director	35	✓	✓		✓
Rolando J. Tiongson	President and Chief Executive Officer	20			✓	✓
Enrique M. Soriano III	Independent Director	30	✓	✓		✓
Anthony T. Robles	Independent Director	30	✓	✓		
Jericho Andrew M. Barcelon	Director	17	✓		✓	✓
Joey I. Villafuerte	Treasurer	20	✓			✓
Sherwin C. de Joya	Corporate Secretary and Data Protection Officer	15				✓
Giovanni C. Ng	Compliance Officer	25	✓	✓		✓
Englebert G. Teh	Corporate Planning Officer	8	✓	✓		✓
Marcelino G. Garillo	Finance Officer	20	✓			✓
Combined Experience in years		**220**				

Information on the business and working experience of the Fund Manager's directors and executive officers is set out below:

Roberto S. Guevara, *Chairman / Independent Director*

Mr. Roberto S. Guevara is the Chairman / Independent Director of our Fund Manager. Mr. Guevara is also an Independent Director of Megaworld Corporation, the Chairman of Seed Capital Ventures, Inc., a Director of G&S Transport Corporation, a Director of Guevent Industrial Development Corporation, a Director of Investment and Capital Corporation of the Philippines, the Chairman and an Independent Director of First Centro, Inc., an Independent Director of Honeycomb Builder, and an Independent Director of Kalahi Realty, Inc. Mr. Guevara earned his A.B. in Economics degree from the San Beda College.

Rolando J. Tiongson, *President and Chief Executive Officer*

Mr. Rolando J. Tiongson is the President and Chief Executive Officer of our Fund Manager. Prior to his role, Mr. Tiongson served as the First Vice President of Megaworld Corporation and a Manager of Greenfield Development Corporation. Mr. Tiongson earned his B.S. in Management degree from Ateneo de Manila University, and his MBA degree from University of the Philippines Diliman.

Enrique M. Soriano III, *Independent Director*

Mr. Enrique M. Soriano III is an Independent Director of our Fund Manager. Mr. Soriano is also an Independent Director of Emperador Inc., an Independent Director of Travellers International Hotel Group, Inc., the Executive Director of Wong + Bernstein Strategic Advisory Group, a Member of the Singapore Institute of Directors, a Senior Fellow (Corporate Governance) of the IPMI International Business School, the Chief Advocacy Officer of Asia America Policy Institute, and a Member of the Philippine Marketing Association. Prior to his roles, Mr. Soriano served as a former Governance Consultant of World Bank / IFC, and the former Chairman of Marketing Cluster, Program Director for Real Estate, and Professor of Service and Global Marketing of Ateneo Graduate School of Business. Mr. Soriano earned his B.A. in History and Minor in Economics degree from the University of the Philippines, his MBA degree from De La Salle University, his Doctorate (Units) degree from UP – National College of Public Administration and Governance, his Post Graduate degree in Behavioral Finance from Harvard Kennedy School of Government, and his Postgraduate degree in Asian Family Businesses from National University of Singapore Business School.

Anthony T. Robles, *Independent Director*

Mr. Anthony T. Robles is an Independent Director of our Fund Manager. Mr. Robles is also a Bank Consultant of PBCOM and a Faculty Member (Finance Cluster) of Ateneo de Manila Graduate School of Business. Prior to his roles, Mr. Robles has served several other positions including the EVP Sector Head (Development Lending), Acting CEO / President, and Sector Head, Executive Vice President (Branch Banking) of the Development Bank of the Philippines, the President and Chief Operating Officer of DRS Global Technologies, Inc., the Executive Vice President (Retail Banking Group) of Chinatrust (Philippines), the Executive Vice President (Account Management Group) of Planters Development Bank, and the Senior Vice President-General Manager (Band 4) (Wealth Management Value Center) of Standard Chartered Bank (Philippines). Mr. Robles earned his B.A. in Commerce degree from University of Santos Tomas and his MBA in Financial Management from Ateneo de Manila University.

Jericho Andrew M. Barcelon, *Director*

Mr. Jericho Andrew M. Barcelon is a Director of our Fund Manager. Mr. Barcelon is also the Senior Assistant Vice President of Megaworld Corporation. Prior to his roles, Mr. Barcelon served as a Project/Business Development Manager of Ayala Land Inc. Mr. Barcelon earned his B.S. in Management Engineering degree from Ateneo de Manila University.

Joey I. Villafuerte, *Treasurer*

Mr. Joey I. Villafuerte is the Treasurer of our Fund Manager. Mr. Vllafuerte is also a Director of Suntrust Home Developers, Inc. and the First Vice President for Controllership of Megaworld Corporation. Prior to his roles, Mr. Villafuerte served as the Vice President for Controllership and the Assistance Manager for Accounts Receivable Rental of Megaworld Corporation, and the Controller of Specified Contractors and Development Inc. Mr. Villafuerte earned his B.S. in Accountancy from Catanduanes State University and his MBA degree from University of the East.

Sherwin C. de Joya, *Corporate Secretary and Data Protection Officer*

Atty. Sherwin C. de Joya is the Corporate Secretary and Data Protection Officer of our Fund Manager. Atty. de Joya is also the Assistant Vice President of Megaworld Corporation. Prior to his role, Atty. de Joya served as a Manager of Smart Communications, Inc., a Manager of Digitel Mobile Philippines, Inc., and an Associate of Soriano Velez and Partners Law Office. Atty. de Joya earned his B.S. in Computer Science degree from University of the Philippines – Manila, and his J.D. degree from Ateneo de Manila University School of Law.

Giovanni C. Ng, *Compliance Officer*

Mr. Giovanni C. Ng is the Compliance Officer of our Fund Manager. Mr. Ng is also a Senior Vice President and Finance Director of Megaworld Corporation. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc. and Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Englebert G. Teh, *Corporate Planning Officer*

Mr. Englebert G. Teh is an Assistant Vice President for Business Research and Development under the Office of Corporate Strategy of Megaworld Corporation. His experience includes investment banking in Primeiro Partners, Inc. and business development for an infrastructure company. Mr. Teh graduated in Ateneo De Manila University with a degree of BS Management Engineering. He is a CFA level 2 passer.

Marcelino G. Garillo, *Finance Officer*

Mr. Marcelino G. Garillo currently holds a Senior Manager II position in Megaworld Corporation, and is the current Accounts Receivable Sales Head. He has over 20 years of experience in Finance and Accounting for the real estate industry, both locally and abroad. Previously, he worked as Proof and Control Head in a local real estate company, and as Chief Accountant for Al Qaseer Property and Development Investments abroad. Mr. Garillo obtained his Bachelor of Science in Accountancy degree in Tarlac State University, and his Masters in Business Administration (MBA) in Ateneo de Manila University Graduate School of business. He is a Certified Public Accountant.

Corporate Governance

The Fund Manager is currently subject to the principles of corporate governance required by the Philippine SEC. In addition, the Fund Manager will be filing the necessary application for licensing as a fund manager of a REIT as required by the Philippine SEC. The Fund Manager will strive to meet all requirements for corporate governance as set forth in the rules for secondary license.

The board of directors of the Fund Manager (the "Fund Manager's Board") is responsible for the overall corporate governance of the Fund Manager including establishing goals for management and monitoring the achievement of these goals. The Fund Manager is also responsible for the strategic business direction and risk management of the Company. All Fund Manager's Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of directors. Following Memorandum Circular No. 1, Series of 2020 issued by the Philippine SEC, the Fund Manager's Board comprises five members, three of whom are independent directors, with at least one of them have a working knowledge of the real estate industry, fund management, corporate finance, or other relevant finance-related functions. The directors of the REIT and the Sponsor, jointly or separately, do not occupy more than 49% of the board of directors of the Fund Manager.

As of the date of this REIT Plan, the directors and executive officers of the Fund Manager have an average of 24 years of experience in the areas of fund management, corporate finance, other relevant finance-related functions, property management in the real estate industry or in the development of the real estate industry.

As of June 1, 2021, the Fund Manager has engaged two full-time professionals, Englebert G. Teh and Marcelino G. Garillo, with track records and experience in financial management and real estate industry for at least 28 years prior to joining the Fund Manager.

OUR PROPERTY MANAGER

Our Property Manager, MREIT Property Managers, Inc., is a corporation organized under the laws of the Philippines. Our Property Manager was incorporated on October 13, 2020, and has its registered office at 19th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City. Our Property Manager is a wholly-owned subsidiary of the Sponsor. Pursuant to the Property Management Agreement entered, our Property Manager shall have the overall responsibility for the day-to-day facilities management of the

Properties, marketing of the office and retail spaces therein, management of client accounts, lease administration, operations management, and handling of tenant relations. Specifically, our Property Manager will oversee negotiation and execution of lease contracts, enforcement of lease terms and conditions, and awarding, extension, and termination of leases; supervision of billing and collection of rentals and other payments from tenants, as well as monitoring of past due accounts and receivables; and, building management operations relating to security, utilities, repairs, and maintenance, emergency management, including engagement of contractors for such purpose.

As of the date of this REIT Plan, the directors and executive officers of the Property Manager have an average of 25 years of experience in commercial real estate operations, leasing, and property management. The Property Manager's executive officers will be primarily responsible for the day-to-day management of the Company's Properties, pursuant to the Property Management Agreement. For other services, such as janitorial, technical, and security services, the Property Manager may engage third-party companies. Our Property Manager expects to contract First Oceanic Property Management, Inc. (FOPM) and Asia Affinity Property Management, Inc. (AAPMI) for some of these functions, in particular with respect to management of the physical buildings, equipment, and common area services. FOPM is the property management arm of the Megaworld Group of Companies and oversees the largest and most diverse pool of property assets all over the Philippines with more than 6.4 millions sqm of residential and office floor spaces, sheltering over the 100,000 residents and providing BPO/traditional office work spaces for more than 200,000 office employees across Metro Manila, Cebu and Iloilo. FOPM has a 27-year track record and expertise in such maintenance services. AAPMI is the newly-established property management company under Megaworld that manages and oversees the operation and control of the company's premium real estate properties. The company envisions becoming the industry leader in property management for its hotel-inspired services. Notwithstanding the expected contract with FOPM and AAPMI, our Property Manager shall remain fully responsible to our Company for the proper performance of its functions under the Property Management Agreement.

Operations

The Property Manager performs day-to-day property management functions at the Properties pursuant to the Property Management Agreement, a five-year, renewable agreement defining the relationship between the Company and the Property Manager. See "*Certain Agreements Relating to our Company and the Properties—Property Management Agreement*." These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, the Property Manager will oversee the overall management of, maintenance and repair of the structure of the Properties; the formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

Property Management Fee

To ensure that our Property Manager shall provide superior service to our Company and the Properties that it oversees, our Property Manager is entitled to a fee for the services provided comprising of 2% of our Company's Gross Revenue, exclusive of value-added tax (hereafter referred to as the "**Property Management Fee**"). The Fee paid to the Property Manager in any given year shall not exceed 1% of the Net Asset Value of the Properties under its management.

For purposes of determining Gross Revenue, our Property Manager shall be paid the Property Management Fee based on an unaudited computation of our Company's Gross Revenue for the relevant quarter. In the event that there is a discrepancy in the unaudited and audited figures of the Gross Revenue, the Property Management Fee paid to the Property Manager for the relevant calendar year shall be correspondingly adjusted.

The Property Management Fee shall be due and payable to the Property Manager in quarterly installments.

Termination of the Property Management Agreement

Either the Company or the Property Manager, as the case may be, may terminate the Property Management Agreement on the following grounds by serving written notice at least thirty (30) days prior the date of intended cancellation in order to afford the Defaulting Party a 30-day cure period if the default or breach is curable:

- a material breach, default or failure of either party to comply with their respective obligations and undertakings under the Property Management Agreement;

- the cessation of the corporate existence of either party or the change of the principal stockholder(s) of either party;

- the insolvency of either party or the suspension of payment of its debts or the commission by either party of any act of bankruptcy under applicable Philippine law; and

- the suspension or withdrawal or revocation of any material license or permit necessary for either party's performance of their respective obligations under the Property Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either Party's performance of their respective obligations under the Property Management Agreement, and the effects of such suspension, withdrawal, or revocation of license or permit, or such adverse decision cannot be remedied or persists or continues to remain un-remedied.

Conflict of Interest

If the Property Manager has a material interest in a transaction with or for our Company, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction, it shall neither advise, nor deal in relation to the transaction unless it has fully disclosed that material interest or conflict to our Company and has taken all reasonable steps to ensure fair treatment of our Company. None of the directors of the Property Manager currently holds any interest in the property owned by or definitely proposed to be acquired by our Company.

The Property Manager shall establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including our Company. It shall ensure that the amount of commission or management fee earned from any particular client or transaction shall not be the determining factor in the allocation of resources, and that there is an effective system of functional barriers (firewalls) in place to prevent the flow of information that may be price sensitive or material and non-public between the different areas of operations. Finally, the Property Manager shall establish, maintain, and implement written policies and procedures to ensure that the interest of related parties shall not supersede the interests of our Company. It shall fully disclose such policies to our Company.

The Property Manager has adopted its "Policy and Procedure on Confidentiality" to protect the integrity and confidentiality of the information relating to the funds and properties of our Company. It has also adopted its "Related Transactions Policy" which defines related party relationships and transactions and sets out guidelines and categories that will govern the review, approval and ratification of these transactions by the Board of Directors or Shareholders to ensure the related party relationships have been accounted for, and disclosed, in accordance with International Accounting Standard 24 on Related Party Disclosures and in accordance with the rules of the Philippine SEC on material related party transactions.

Directors and Executive Officers of the Property Manager

The Property Manager's board of directors is entrusted with the responsibility for the overall management of the Property Manager, while the Property Manager's executive officers, particularly the President and Chief Executive Officer, are responsible for implementation, and shall be available at all times to supervise the business of the Property Manager. The current position, role, and business and working experience of each of the directors and executive officers of the Property Manager is set out below:

Name	Age	Nationality	Position	Director Since
Josephine Marie R. Salazar	61	Filipino	Chairman of the Board	November 19, 2020
Eric John C. Enriquez	48	Filipino	President and Chief Executive Officer	April 26, 2021
Alejo L. Villanueva, Jr.	79	Filipino	Independent Director	April 26, 2021
Ma. Milagros Campomanes-Yuhico	64	Filipino	Independent Director	November 19, 2020
Ma. Vicenta S. Jalandoni	55	Filipino	Independent Director	November 19, 2020
Lourdes O. Ramilo	56	Filipino	Treasurer	
Maria Charizza B. Carlos-Guevarra	41	Filipino	Corporate Secretary, Compliance Officer and Data Protection Officer	

The directors and executive officers of our Property Manager have over 172 years of accumulated experience in commercial real estate operations, leasing, and property management. Our Property Manager's executive officers will be primarily responsible for the day-to-day management of our Properties, pursuant to our Property Management Agreement.

The Chairman, Josephine Marie R. Salazar and President and Chief Executive Officer, Eric John C. Enriquez, are the two responsible officers of the Property Manager, and each has more than three years track record in property portfolio management.

Our Chairman of the Board, Josephine Marie R. Salazar, has over 30 years of experience in diverse areas of real estate project development, project management and design. Our President and Chief Executive Officer, Eric John C. Enriquez, is the Sponsor's Vice President for Leasing Operations with over 20 years of experience in office leasing and business development. Our Independent Director, Ma. Milagros Campomanes-Yuhico, carries with her 35 years of diverse experience in the banking and real estate sectors being the First Vice President and Head of the Trust and Investments Division of the Philippine Veterans Bank. Our Independent Director, Alejo L. Villanueva, Jr. has over 20 years of experience in the fields of training and development, public relations, community relations, institutional communication and policy advocacy, among others. Our Independent Director, Maria Vicenta S. Jalandoni, has 30 years of experience in marketing and operations having served as a director of Suntrust Home Developers, Inc., manager of Raffles & Co., First Vice President for Sales, Marketing and Operations of Empire East Land Holdings, Inc. and manager of United Coconut Planters Bank. Our Treasurer, Lourdes O. Ramilo, has over 25 years of experience in Finance and Accounting in the real estate industry being the Vice President and Head of Financial Reporting Group of Megaworld Corporation. Our Corporate Secretary, Maria Charizza B. Carlos-Guevarra has 12 years of legal experience in the real estate industry being the Head of Special Project of the legal and compliance team of Megaworld Corporation, handling land negotiations, acquisitions and joint venture deals.

Below is a summary of the track record of our Directors and Officers:

Key Officers	Position	Track Record	Finance	Fund Management	Property Management	Real Estate
Josephine Marie R. Salazar	Chairman / Director	30	✓	✓	✓	✓
Eric John C. Enriquez	President and Chief Executive Officer	20			✓	✓
Alejo L. Villanueva, Jr.	Independent Director	35	✓			✓
Ma. Milagros Campomanes-Yuhico	Independent Director	20	✓	✓		✓
Ma. Vicenta S. Jalandoni	Independent Director	30	✓			✓
Lourdes O. Ramilo	Treasurer	25	✓			✓
Maria Charizza B. Carlos-Guevarra	Corporate Secretary, Compliance Officer and Data Protection Officer	12				✓
Combined Experience in years		**172**				

Information on the business and work experience of the Property Manager's directors and executive officers is set out below:

Josephine Marie R. Salazar, *Chairman / Director*

Ms. Josephine Marie R. Salazar is the Chairman of the Board of the Property Manager. Ms. Salazar is concurrently the President of Elite Communities Property Services, Inc. and also serves as Board member of Megaworld-Daewoo Development Corporation, McKinley Town Center Estates Association Inc., and Newport City Estates Association Inc. Prior to joining the Property Manager, Ms. Salazar was a First Vice President of Megaworld and head of its Operations and Quality Control Management group from 1997 to 2014. Prior to Megaworld, she also held key management positions at Regatta Properties Inc., an ICCP Group (Investment & Capital Corporation of the Philippines) as its Project Development Manager, with Project Management Consultants, Inc. as Director, and with George Ramos & Associates as Designer/Architect. Ms. Salazar is a licensed Architect and affiliated with United Architects of the Philippines, the Professional Regulation Commission Board of Architecture, and the Philippine Association of Building Administrators Inc. She is a member of the Executive Development Academy, Philippines and has received certification with Six Sigma Belt Training. She is a graduate of the University of Santo Tomas with a degree in Bachelor of Sciences in Architecture and also received International Training through the Japanese Architectural & Building Technology Scholarship and The ILO Association of Japan in Chiba Prefecture, Japan, which included a Japanese Language Course in the Chiba Prefecture Central Skill Development Center.

Eric John C. Enriquez, *President and Chief Executive Officer*

Mr. Eric John C. Enriquez is the President and Chief Executive Officer of the Property Manager. Mr. Enriquez concurrently serves as Vice President of the Megaworld Premier Offices, the unit handling the business development and leasing business of the office developments of Megaworld Corporation. He garnered the accolade of Employee of the Year (Business Development and Leasing Group) for Megaworld Corporation in 2015. Mr. Enriquez holds a Bachelor of Science in Electronics and Communications Engineering from the University of Santo Tomas.

Alejo L. Villanueva, Jr., *Independent Director*

Mr. Alejo L. Villanueva, Jr. is an Independent Director of the Property Manager. Mr. Villanueva, Jr. concurrently serves as Independent Director of Suntrust Home Developers, Inc., Alliance Global Group, Inc., Emperador Inc. and Empire East Land Holdings, Inc. and a Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is also Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counselors Foundations of the Philippines, Inc. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva, Jr. obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Ma. Milagros Campomanes-Yuhico, *Independent Director*

Ms. Ma. Milagros Campomanes-Yuhico is an Independent Director of the Property Manager. Prior to joining the Property Manager, Ms. Campomanes-Yuhico rose from the ranks in Philippine Veterans Bank, serving for 20 years which ultimately led to the position of First Vice President and Head of the Trust and Investment Division. She also served in various capacities in Peninsula Development Bank, Campomanes Realty and Development Corporation, CAPLIFE (representing CAP Trust Fund), and BIC Investment Corporation (representing CAP Trust Fund). She is a graduate of De La Salle University with a Bachelor of Science in Accounting, and has taken a Special Course for Trust at the Trust Institute Foundation of the Philippines.

Ma. Vicenta S. Jalandoni, *Independent Director*

Ms. Ma. Vicenta S. Jalandoni is an Independent Director of the Property Manager. Ms. Jalandoni is concurrently the President and Chairman of the Board of Trustees of Base Bahay Foundation Inc. and acts as a Liaison for Hilti Foundation for Asia which initiated Base Bahay Foundation Inc. She previously held the posts of First Vice President for Marketing and Sales of Megaworld Corporation and First Vice President for Sales, Marketing and Operations of Empire East Land Holdings, Inc. She is a graduate of De La Salle University with a double degree of Bachelor of Science in Business Management and Bachelor of Arts in Psychology.

Lourdes O. Ramilo, *Treasurer*

Ms. Lourdes O. Ramilo is the Treasurer of the Property Manager. Ms. Ramilo concurrently holds the position of Vice President of Finance of Megaworld Corporation, having been with said company since 1997. Prior thereto, she worked as an accountant for E. Ganzon Inc. and for the Philippine Deposit Insurance Corporation. Ms. Ramilo is a holder of a Bachelor of Science and Business Administration, Major in Accounting, from the Holy Angel University, the biggest private Catholic University in central Luzon.

Maria Charizza B. Carlos-Guevarra, *Corporate Secretary / Compliance Officer / Data Protection Officer*

Atty. Maria Charizza B. Carlos-Guevarra is the Corporate Secretary of the Property Manager, and is the ex officio Compliance Officer and Data Protection officer. She has been a Corporate Attorney of Megaworld Corporation since 2010. Prior thereto, Atty. Carlos-Guevarra was an Associate in Sycip Salazar Hernandez and Gatmaitan Law Offices and a Court Attorney for the Supreme Court of the Philippines. Atty. Carlos-Guevarra is a Juris Doctor, having graduated with second honors from the Ateneo De Manila School of Law, and with an undergraduate degree of Bachelor of Arts in Political Science, having graduated Cum Laude from the University of the Philippines Diliman.

Related Party Transactions

Review Procedures for Related Party Transactions

In general, the Fund Manager has established internal control procedures to ensure that all future transactions involving the Company and a related party of the Fund Manager or the Sponsor are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favorable than those extended to unrelated third parties. In respect of such transactions, the Fund Manager would have to demonstrate that the transactions would be undertaken on normal commercial terms, which may include obtaining (where practicable) quotations from parties unrelated to the Fund Manager or Sponsor, or obtaining a valuation from an independent valuer (in accordance with, among other things, the REIT Law). Moreover, in respect of material related party transactions or transactions requiring prior authority, the Fund Manager has set review and approval requirements by its Board of Directors including the independent directors and the Related Party Transaction Committee (in accordance with, among other things, the REIT Law and its implementing rules and regulations).

In general, the Property Manager has established a related party transactions policy to ensure that all future transactions involving the Company and a related party of the Property Manager or the Sponsor are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favorable than those extended to unrelated third parties. In respect of material related party transactions or transactions requiring prior authority, the Property Manager has set review and approval requirements by its Board of Directors including the independent directors and the Related Party Transaction Committee (in accordance with, among other things, the REIT Law and its implementing rules and regulations).

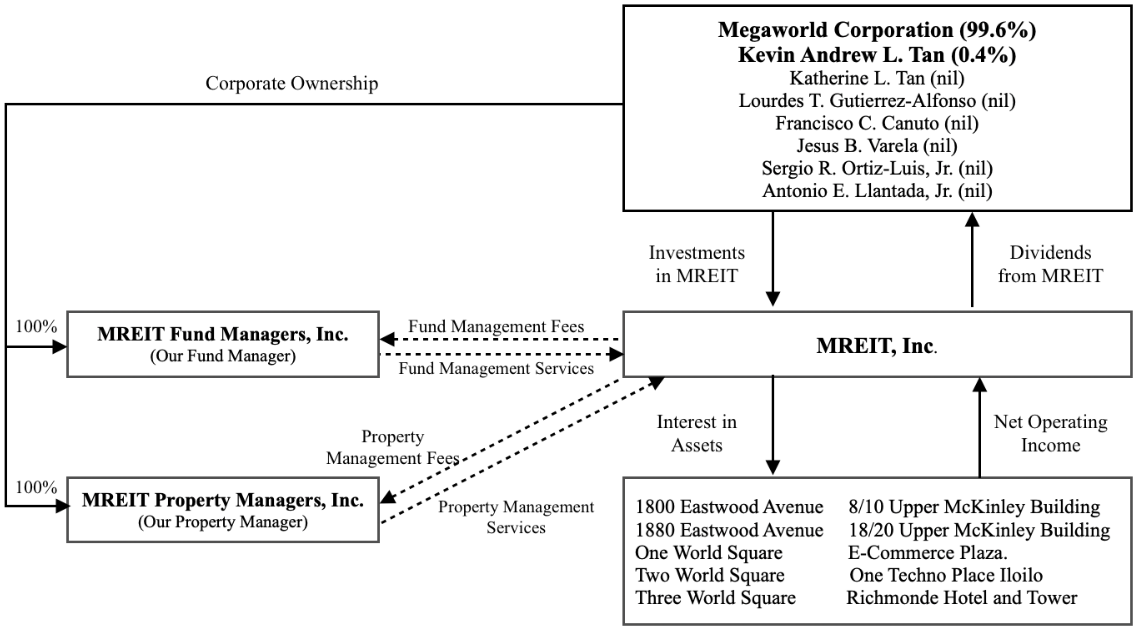
Existing Related Party Transactions

Our Company has entered into a number of transactions with the Sponsor and certain Affiliates of the Sponsor. See "*Related Party Transactions*." Save as disclosed in this REIT Plan, the Company has not entered into any other transactions with any Subsidiaries or Affiliates of the Fund Manager or the Sponsor.

THE FORMATION AND STRUCTURE OF MREIT

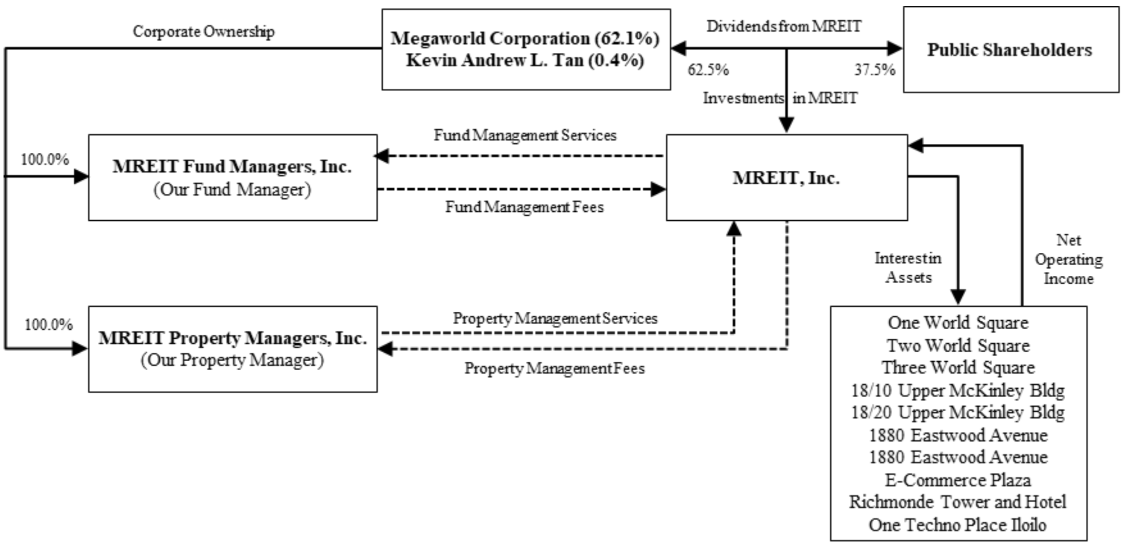
OPERATIONAL STRUCTURE

Our Company is a domestic corporation, established to invest in real estate. The operational and ownership structure and the relationship of the various parties, as of the date of this REIT Plan, are illustrated in the following diagram:

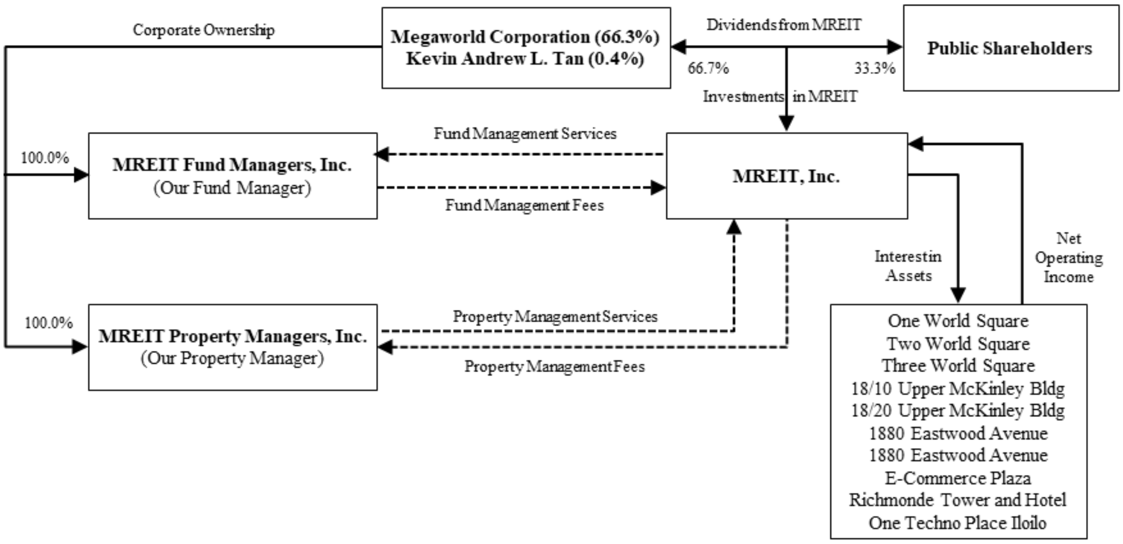


After the Offering, the operational structure and relationship of the various parties are illustrated as follows:

(i) Assuming the full exercise of the Overallotment Option:



(ii) Assuming non-exercise of the Overallotment Option:



While the Fund Manager and the Property Manager are Subsidiaries of the Sponsor, in enacting their roles as Fund Manager and Property Manager, respectively, they are functionally independent from the Sponsor.

Pursuant to the provisions of the REIT Law and the Fund Management Agreement, the Fund Manager must implement the investment strategies of the REIT by: (i) determining the allocation of the Company's property to the allowable investment outlets in accordance with this REIT Plan and the investment strategies of the Company; and (ii) selecting income-generating real estate in accordance with the investment strategies of the Company; notwithstanding the written instructions of the Company, it shall be the fiduciary responsibility of the Fund Manager to objectively evaluate the desired investments, and formally advise the Company of its recommendations, even if contrary to the Company's instructions; oversee and coordinate property acquisition, leasing, operational and financial reporting, including operating budgets, appraisals, audits, market review, accounting and reporting procedures, as well as refinancing and asset disposition plans; cause a valuation of any of the real estate and other properties of the Company to be carried out by an independent property valuer once a year or whenever the Fund Manager believes that such valuation is appropriate; take all necessary measures to ensure: (i) that the Net Asset Value per unit of the Company is calculated as and when an annual valuation report is issued by the property valuer for the relevant period, and that such Net Asset Value per unit shall be disclosed in periodic reports; (ii) that the investment and borrowing limitations set out in this REIT Plan and the conditions under which the Company was authorized are complied with; (iii) that all transactions carried out by or on behalf of the Company are conducted at arm's length; (iv) that at all times the Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid and binding and enforceable by or on behalf of the Company; and (v) that the Property Manager obtains adequate property insurance for the real properties of the Company, including the Properties; and perform all such functions necessary and incidental to asset management. See "*The Fund Manager and the Property Manager—Our Fund Manager*" and "*Certain Agreements Relating to Our Company and the Properties—Fund Management Agreement*" for additional details.

The principal investment mandate and strategy of MREIT is to invest in income-generating real estate that meets a select set of criteria, such as location, property grade and type, and tenant profile. Through our Fund Manager, our Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time, through active management of present and future property portfolio in order to secure income growth and provide a Competitive Investment Return to our investors. See "*Business and Properties—Investment Policy*" in this REIT Plan. Our Company generates returns for its Shareholders by owning, and managing, real estate properties in line with its investment strategy. See "*Business and Properties—Key Strategies*" for more details.

By operating pursuant to our investment strategy and under the provisions of the REIT Law, our Company benefits from preferential tax treatment. Instead of being subject to income tax on our Company's taxable net income as defined in Chapter IV, Title II of the Tax Code, our Company's income tax liability is instead based on its taxable net income as defined in the REIT Law, which allows for the dividends distributed by the Company to the Company's Shareholders to be deducted for the purposes of determining the Company's taxable net income. See "*Regulatory and Environmental Matters—Real Estate Laws—Taxation of REITs*".

DESCRIPTION OF SHARES

The following is general information relating to our capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of our Articles of Incorporation and By-Laws.

The Offer Shares shall be offered at a price of **₱16.10** per Offer Share (the "**Offer Price**"). The determination of the Offer Price is further discussed on page 63 of this REIT Plan. A total of 2,532,121,381 Shares will be outstanding after the Offer and the Offer Shares will comprise up to **37.5%** of the outstanding Shares after the Offer, assuming the full exercise of the Overallotment Option.

Share Capital Information

As of the date of this REIT Plan, we have an authorized capital stock of ₱5,000,000,000.00, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share (each, a "**Share**"). As of the date of this REIT Plan, we have 2,532,121,381 Shares issued and outstanding. We have no preferred shares and no Shares held in treasury.

The Offer Shares will consist of **844,300,000** Firm Shares and up to 105,537,500 Option Shares.

- The Firm Shares will comprise **844,300,000** issued Shares owned by the Selling Shareholder, to be offered by way of a secondary offer.
- The Option Shares will comprise up to 105,537,500 issued Shares owned by the Selling Shareholder to be offered by way of a secondary offer.

The Shares and Shareholders

The rights and interests of Shareholders are contained in our Organizational Documents. In addition, pursuant to the REIT Law, our Shareholders are entitled to annual dividends, amounting to a total of at least 90.0% of our Company's Distributable Income.

Each Share represents an undivided interest in our Company. From the time Shares are issued, pursuant to the Offer, such Shares will carry the same rights as all Shares in issue as at the date of this REIT Plan.

Subject to applicable foreign ownership restrictions under applicable laws, there are no restrictions under the Organizational Documents or the REIT Law on a person's right to subscribe for (or purchase) Shares and to own Shares.

Issue of Shares

The Shares, when listed on the PSE, may be traded on the PSE. For so long as our Company is listed on the PSE, the Company may, subject to provisions of our Company's Organizational Documents and the REIT Law, issue further Shares, at an issue price determined in accordance with the applicable provisions of our Organizational Documents and the REIT Law.

Any suspension of the issue of Shares will be announced to the PSE.

Investors should note that the Fund Manager will not be required to redeem or repurchase any Shares so long as our Company is listed on the PSE. It is intended that Shareholders deal in their Shares through trading on the PSE.

Subject to otherwise applicable limitations, we may issue additional shares to any individual for consideration deemed fair by our Board, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to our Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Transfer of Common Shares

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "*The Philippine Stock Market*" on page 253 of this REIT Plan.

Under Philippine law, transfer of the Shares is not required to be effected on the PSE, but any off exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Philippine Taxation*" on page 260 of this REIT Plan. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

RIGHTS RELATING TO SHARES

Rights and Liabilities of Shareholders

The key rights of Shareholders include rights to:

- receive income and other distributions attributable to the Shares held;
- receive audited accounts and the annual reports of our Company; and
- participate in the termination of our Company by receiving a share of all net cash proceeds derived from the realization of the assets of our Company less any liabilities, in accordance with their proportionate interests in our Company. However, no Shareholder has a right to require that any asset of our Company be transferred to him, her or it.

Further, Shareholders cannot give any directions to the Fund Manager or our Company (whether at a meeting of Shareholders or otherwise) if it would require the Fund Manager or our Company to do or omit doing anything which may result in:

- our Company ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on the Fund Manager by the relevant agreements.

Voting Rights of Shares

Each Share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in their name in our books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

The shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board of Directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights of Common Shares

We are allowed to declare dividends out of our unrestricted retained earnings at such times and in such percentages as may be determined by our Board of Directors. Such determination will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things.

A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of our outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares." Such shareholders' approval may be given at a general or special meeting duly called for such purpose. See "*Dividends and Dividend Policy*."

Rights of Shareholders to Assets of the Company

Each holder of a Share is entitled to a pro rata share in our assets available for distribution to the shareholders in the event of dissolution, liquidation and winding up.

Pre-emptive Rights

Pursuant to our Organizational Documents, our stockholders have no pre-emptive right to subscribe to any issue or disposition of shares of any class of the Company.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

- in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

- in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;

- in case of merger or consolidation;

- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and

- in case of extension or shortening of the term of corporate existence.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

MEETINGS OF SHAREHOLDERS

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes including the election of directors. The by-laws of the Company provide for annual meetings on the last Friday of May of each year, or if that day is a legal holiday, then on the following business day, to be held at the principal office of the Company and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (a) by the Board of Directors, at its own instance, or at the written request of shareholders representing at least majority of the outstanding capital stock, or (b) by order of the President. Such call shall state the purpose or purposes of the proposed meeting.

Notice of Shareholders' Meeting

Notice for annual meetings of stockholders may be sent by the secretary by personal delivery, or by regular or electronic mail, or other manner as the Philippine SEC shall allow under its guidelines and within such period as may be required under existing laws, rules or regulations to each stockholder of record at his last known residential or office address, or electronic mail address.

The secretary shall maintain a record of the current residential or office address, and the electronic mail address of each stockholder of the corporation. Any notice of any regular or special meeting sent by electronic mail to the last known electronic mail address of a stockholder shall be considered a valid service of the notice upon said stockholder. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. Such requirements aforesaid and notice of any meetings may be waived, expressly or impliedly, by any stockholder, provided that attendance at a meeting shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any businesses may be transacted at the meeting originally convened.

Quorum

A quorum at any meeting of the Company's shareholders shall consist of a majority of the outstanding voting stock of the Company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion. If no quorum is present, the meeting shall be adjourned until the requisite number of shareholders shall be present.

Place of Meetings

All meetings of the stockholders shall be held at the principal office of the Company or if not practicable, at any place designated by the Board of Directors in the city or municipality where the principal office of the Corporation is located. The Board of Directors may authorize holding such meetings through remote communications or other alternative modes of communication, subject to compliance with applicable regulations. If the meetings are conducted through teleconferencing or any similar means, the Secretary, or in his absence, the secretary of the meeting appointed by the chairman of the meeting, shall see to it that the conferences are duly recorded and the tapes properly stored for safekeeping.

Voting

The Company's shareholders may vote at all meetings the number of shares registered in their respective names, either in person (or through remote communication or in absentia as the Philippine SEC shall allow under its guidelines) or by proxy, executed in writing by the stockholder or his duly authorized attorney in fact. All elections and questions, except in cases specified by law or the Company's Articles of Incorporation, shall be decided by the majority vote of the stockholders present in person or by proxy, a quorum being present. Unless required by law or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot.

Fixing Record Dates

Pursuant to the Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the Philippine SEC and shall be indicated in the Philippine SEC order which shall not be less than ten days nor more than 30 days after all clearances and approvals by the Philippine SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten trading days from receipt by the PSE of the notice of declaration of the dividend.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within five business days prior to the scheduled meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and Philippine SEC Memorandum Circular No. 5 (series of 1996) issued by the Philippine SEC.

SHARE REGISTER

Our share register is maintained at the principal office of our share transfer agent, BDO Unibank, Inc. – Trust and Investments Group.

SHARE CERTIFICATES

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For Shareholders who wish to split their certificates, they may do so through application to our stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "*The Philippine Stock Market*" beginning on page 253 of this REIT Plan.

MANDATORY TENDER OFFER

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months;

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; or

- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required in:

- purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;

- purchases from an increase in the authorized capital shares of the target company;

- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;

- purchases in connection with a privatization undertaken by the government of the Philippines;

- purchases in connection with corporate rehabilitation under court supervision;

- purchases through an open market at the prevailing market price; or

- purchases resulting from a merger or consolidation.

CHANGE IN CONTROL

There are no existing provisions in our Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

FUNDAMENTAL MATTERS

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation is required for the adoption or amendment of the by-laws of such corporation.

ACCOUNTING AND AUDITING REQUIREMENTS

Philippine stock corporations are required to file copies of their annual financial statements with the Philippine SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of our operations for the preceding year. This report is required to include audited financial statements.

SUBSTANTIAL HOLDINGS

While there is no rule specifically mandating the Fund Manager to report to the PSE any substantial changes in shareholdings, the REIT Law and the PSE Listing Rules adopt the disclosure and reportorial requirements under the SRC. Our Company is therefore subject to the provisions of the Philippine Revised Corporation Code and SRC, which state that any person who acquires directly or indirectly the beneficial ownership of more than 5% of a class of shares or in excess of such lesser percentage as the Philippine SEC by rule may prescribe, shall, within ten days after such acquisition or such reasonable time as fixed by the Philippine SEC, submit to the issuer of the securities, to the PSE, and to the Philippine SEC a sworn statement, containing the following information and such other information as the Philippine SEC may require in the public interest or for the protection of investors: (a) the personal background, identity, residence, and citizenship of, and the nature of such beneficial ownership by, such person and all other person by whom or on whose behalf the purchases are effected; in the event the beneficial owner is a juridical person, the business of the beneficial owner shall also be reported; (b) if the purpose of the purchases or prospective purchases is to acquire control of the business of the issuer of the securities, any plans or proposals which such persons may have that will effect a major change in its business or corporate structure; (c) the number of shares of such security which are beneficially owned, and the number of shares concerning which there is a right to acquire, directly or indirectly, by; (i) such person, and (ii) each associate of such person, giving the background, identity, residence, and citizenship of each such associate; and (d) information as to any contracts, arrangements, or understanding with any person with respect to any securities of the issuer including but not limited to transfer, joint ventures, loan or option arrangements, puts or call guarantees or division of losses or profits, or proxies naming the persons with whom such contracts, arrangements, or understanding have been entered into, and giving the details thereof.

As of the date of this REIT Plan, the Sponsor holds more than 5% of our Company's issued and outstanding Shares.

CONTINUATION OF OUR COMPANY

Under the provisions of the Philippine Revised Corporation Code and the Company's Amended Articles of Incorporation, our Company shall have perpetual existence.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our overall management and supervision are undertaken by the Board. Our executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning our business operations, financial condition and results of operations for its review. Currently, the Board consists of seven members, of which three are independent directors. The directors named below were elected at the Company's annual stockholders meeting on May 28, 2021. All directors will hold office until their successors have been duly elected and qualified. Other than as a stockholder of the Company, no director currently holds any interest in the property owned by or definitely proposed to be acquired by our Company.

The following table sets forth the Board of Directors of the Company:

Name	Age	Position	Director Since	Citizenship
Francisco C. Canuto	63	Chairman of the Board	October 6, 2020	Filipino
Kevin Andrew L. Tan	41	President and Chief Executive Officer / Director	October 6, 2020	Filipino
Katherine L. Tan	69	Director	May 28, 2021	Filipino
Lourdes T. Gutierrez-Alfonso	57	Director	October 6, 2020	Filipino
Jesus B. Varela	64	Independent Director	April 26, 2021	Filipino
Sergio R. Ortiz-Luis, Jr.	77	Independent Director	April 26, 2021	Filipino
Antonio E. Llantada, Jr.	65	Independent Director	May 28, 2021	Filipino

The following table sets forth our key executive and corporate officers ("**Senior Management**"):

Name	Age	Position	Citizenship
Francisco C. Canuto	63	Chairman of the Board	Filipino
Kevin Andrew L. Tan	41	President and Chief Executive Officer	Filipino
Giovanni C. Ng	47	Treasurer	Filipino
Maria Carla T. Uykim	44	Corporate Secretary	Filipino
Cheryll B. Sereno	41	Compliance Officer and Data Protection Officer	Filipino

Our Company's management team is composed of individuals who have spent their careers in the Philippine real estate industry and have gained valuable experience as long-time employees of the Group. Together with the independent directors of the Board, the team boasts of a combined and accumulated work experience of over 240 years. The valuable experience gained in management positions throughout the Group enhance our Company's management team's ability to understand the dynamic Philippine real estate market and to coordinate seamlessly with our Company's Related Parties, including our Sponsor. Combining leading-edge product innovation with prudent and effective risk management practices, the Group manages a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the real estate industry. The Group employs a proven and highly-credible management talent pool across all levels of the organization, most with experience across multiple business lines.

Our Chairman, Dr. Francisco C. Canuto, carries with him 25 years of experience in finance and real estate. Our President and Chief Executive Officer, Kevin Andrew L. Tan, has 20 years of experience in commercial real estate and leasing and real estate strategy. Our director, Lourdes T. Gutierrez-Alfonso has over 30 years of experience in finance and management of various aspects of the real estate industry. Our director, Katherine L. Tan, carries with her over 32 years of experience in the real estate industry and real estate strategy. Our independent director, Jesus B. Varela, was Chairman of the Philippine Chamber of Commerce and Industry, GS1 Philippines (Barcode of the Philippines) and New Lights Technologies, Inc. and sits as independent director in the boards of various publicly listed companies. Our independent director, Sergio R. Ortiz-Luis, Jr. was President of the Philippine Exporters Confederation, Inc. (PHILEXPORT) and honorary chairman and treasurer of the Philippine Chamber of Commerce and Industry. Our independent director, Antonio E. Llantada, Jr., is an esteemed professor of Accounting and Finance at the Enderun Colleges Taguig and the Thames International School Quezon City and guest lecturer on the same field of expertise at the Asian Institute of Management School of Executive Education and Lifelong Learning (AIM-SELL). Our treasurer, Giovanni C. Ng has a 25 years track record in finance and real estate. Our Corporate Secretary, Atty. Maria Carla T. Uykim carries with her more than 14 years' real estate legal experience having been with Megaworld's legal and compliance team which handles negotiations and legal documentation of land acquisitions, leases, joint ventures, permit and license applications and various real estate-related functions. There are no planned changes in our Company's senior management in the next three (3) years.

Key Officers	Position	Track Record	Finance	Fund Management	Property Management	Real Estate
Francisco C. Canuto	Chairman of the Board	25	✓			✓
Kevin Andrew L. Tan	President and Chief Executive Officer / Director	20				✓
Katherine L. Tan	Director	32				✓
Lourdes T. Gutierrez-Alfonso	Director	30	✓		✓	✓
Jesus B. Varela	Independent Director	35				✓
Sergio R. Ortiz-Luis, Jr.	Independent Director	15				✓
Antonio E. Llantada, Jr.	Independent Director	43	✓			✓
Giovanni C. Ng	Treasurer	25	✓	✓		✓
Maria Carla T. Uykim	Corporate Secretary	15			✓	✓
Combined Experience in years		**240**				

The following states the business experience of our incumbent directors and officers for the last five years:

Francisco C. Canuto, *Chairman / Director*

Mr. Francisco C. Canuto is the Chairman of the Board. Mr. Canuto is a Certified Public Accountant and currently holds the rank of Senior Vice President and Treasurer of Megaworld Corporation and is Senior Assistant to the Chairman. He is a member of Megaworld Corporation's Management Executive Committee. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Director of Megaworld Global-Estate, Inc. and Eastwood Property Holdings, Inc., Director and Corporate Secretary of Megaworld Central Properties, Inc. and Director and Treasurer of Megaworld Cebu Properties, Inc., Twin Lakes Corporation, Oceantown Properties, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation, Eastwood Cyber One Corporation, and Prestige Hotels & Resorts, Inc. He serves as a Director and President of Arcovia Properties, Inc., Lucky Chinatown Cinemas, Inc., Festive Walk Cinemas, Inc., Southwoods Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc. and Gilmore Property Marketing Associates, Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Company, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

Kevin Andrew L. Tan, *President and Chief Executive Officer / Director*

Mr. Kevin Andrew L. Tan is the President and CEO of the Company. Mr. Tan holds the rank of Executive Vice President and Chief Strategy Officer of Megaworld Corporation. He previously held the position of Senior Vice President for Commercial Division which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, Lucky Chinatown Mall in Binondo, Manila and Uptown Mall in Bonifacio Global City. He is the Chief Executive Officer and Vice Chairman of public-listed company, Alliance Global Group, Inc. He is also concurrently a Director of publicly-listed companies, Empire East Land Holdings, Inc., Emperador Inc., Global-Estate Resorts, Inc. and Emperador Distillers, Inc. He is also a trustee and an Executive Director of Megaworld Foundation, Inc. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Katherine L. Tan, *Director*

Ms. Katherine L. Tan is a Director of the Company. Ms. Tan is also a Director of Megaworld Corporation, and has served as such since 1989. She is concurrently a Director and Treasurer of publicly-listed Alliance Global Group, Inc. and Emperador Inc. She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. and Director and President of Andresons Global, Inc., Raffles & Company, Inc., The Andresons Group, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Lourdes T. Gutierrez-Alfonso, *Director*

Ms. Lourdes T. Gutierrez-Alfonso is a Director of the Company. She is the Chief Operating Officer of Megaworld Corporation and is a member of Megaworld Corporation's Management Executive Committee. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she previously held the position of Senior Executive Vice President for Finance and Administration in Megaworld Corporation. Ms. Gutierrez is Chairman of the property management company, First Oceanic Property Management, Inc. She serves as director in numerous affiliate companies including publicly-listed Global-Estate Resorts, Inc. and Suntrust Properties, Inc., Twin Lakes Corporation, Southwoods Mall, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Cebu Properties, Inc., Oceantown Properties, Inc., Megaworld Bacolod Properties, Inc., Eastwood Cyber One Corporation, Davao Park District Holdings, Inc., and Prestige Hotels & Resorts, Inc. She is currently the Chairman of Belmont Newport Luxury Hotels, Inc., Megaworld Global-Estate, Inc., Savoy Hotel Manila, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc.

Jesus B. Varela, *Independent Director*

Mr. Jesus B. Varela is an Independent Director of the Company. Mr. Varela is also a Director of Megaworld Corporation and has served as such since June 2016. He concurrently serves as independent director in the board of publicly-listed Global-Estate Resorts, Inc. He is also the Chairman of the Philippine Chamber of Commerce and Industry and GS1 Philippines (Barcode of the Philippine), and President of Foundation for Crime Prevention, Philippine Greek Business Council and Philippine Peru Business Council. He is also the Director General of the International Chamber of Commerce Philippines (ICC-Philippine). Mr. Varela has more than twenty years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others.

Sergio R. Ortiz-Luis, Jr., *Independent Director*

Mr. Sergio Ortiz-Luis, Jr. is an Independent Director of the Company. Mr. Ortiz-Luis, Jr. is also an Independent Director of Alliance Global Group, Inc., and has served as Vice-Chairman of the Board from September 2007 to September 2018. He is the President of the Philippine Exporters Confederation, Inc. (PHILEXPORT) and Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry. He is also Honorary Chairman of Integrated Concepts & Solutions, Inc. and Vice Chairman of Export Development Council. He is a Director of Philippine Estate Corporation, B.A. Securities and Manila Exposition Complex, Inc. He is also an Independent Director of Forum Pacific, Inc. Corporation and Calapan Ventures, Inc. Mr. Ortiz-Luis, Jr. obtained his bachelor's degree in Liberal Arts and Business Administration, and a candidate of Master of Business Administration from De La Salle College. He has a PhD in Humanities from Central Luzon State University, PhD in Business Technology from Eulogio "Amang" Rodriguez Institute of Science and Technology, and PhD in Business Administration from Angeles University Foundation.

Antonio E. Llantada, Jr., *Independent Director*

Mr. Antonio E. Llantada, Jr. is an Independent Director of the Company. Mr. Llantada, Jr. obtained a Master's Degree in Business Administration from the Ateneo Graduate School of Business in 2000, and a double Degree of Bachelor of Science in Accounting and Bachelor of Arts in Behavioral Science from the Liberal Arts and Commerce program of the De La Salle University Manila in 1978. He is currently a Professor of Accounting and Finance at the Enderun Colleges Taguig, and Thames International School Quezon City, and is a guest lecturer at the Asian Institute of Management School of Executive Education and Lifelong Learning (AIM-SELL). Before joining the Company, he also served as Consultant/Chief Audit Executive of publicly-listed company, Empire East Landholdings, Inc., as Area Materials Management, Finance, Purchasing and Distribution Manager of The Church of Jesus Christ of Latter-Day Saints, and as an Auditor of SGV & Company. He is a member of the Philippine Institute of Certified Public Accountants and the Institute of Internal Auditors.

Giovanni C. Ng, *Treasurer*

Mr. Giovanni C. Ng is the Treasurer. Mr. Ng is also a Senior Vice President and Finance Director of Megaworld Corporation. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc. and Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of Megaworld Land, Inc. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Maria Carla T. Uykim, *Corporate Secretary*

Ms. Carla T. Uykim is the Corporate Secretary. Ms. Uykim is also the head of the Corporate Advisory and Compliance of Megaworld Corporation and a member of the Management Executive Committee. She is primarily responsible for the special projects group which handles the negotiation and documentation of Megaworld Corporation's various land acquisitions, joint venture agreements and other corporate transactions. She also heads Megaworld Corporation's property registration group, which is in charge of the registration of the Company's real estate projects, including the deeds of restriction, and issuance of the certificates of title for the individual units or lots and the intellectual property group, which handles the registration, protection and enforcement of Megaworld Corporation's trademarks. She is concurrently the Corporate Secretary of San Vicente Coast, Inc., Northwin Properties, Inc. and Maple Grove Land, Inc. and a Director and Corporate Secretary of Luxury Global Malls, Inc. and Mactan Oceanview Properties and Holdings, Inc. Prior to joining Megaworld Corporation, Atty. Uykim was an Associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff of Congresswoman Remedios L. Petilla from July 2004 until June 2005. Atty. Uykim obtained her Juris Doctor Degree from the Ateneo De Manila School of Law and is a graduate of the double degree program of De La Salle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND SENIOR MANAGEMENT

To the best of our knowledge, none of the above-named directors or executive officers has, in the last five years, been subject to the following:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities, commodities, or banking activities; or
- found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

FAMILY RELATIONSHIPS

Mrs. Katherine L. Tan is the mother of Kevin Andrew L. Tan. Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive officers and shareholders.

BOARD COMMITTEES

Specific responsibilities of the Board are delegated to the Executive Committee, Corporate Governance Committee, Board Risk Oversight Committee, Audit Committee and the Related Party Transaction Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Executive Committee

The Executive Committee has the duty and responsibility to assist the Board of Directors by exercising any of the powers and attributes, to the extent allowed by law, of the Board during the intervening period between meetings of the Board, and shall report on all resolutions adopted by it to the Board at the meeting of the Board immediately succeeding the meeting/s of the Executive Committee during which such resolutions were approved. It should be composed of at least three members.

The committee is chaired by Mr. Kevin L. Tan with Ms. Lourdes T. Gutierrez and Mr. Jesus B. Varela as members.

Corporate Governance Committee

The Corporate Governance Committee has the duty and responsibility to assist the Board of Directors in the performance, overseeing and review of its corporate governance responsibilities, including functions of a nomination and remuneration committee. It should be composed of at least three members, a majority of whom should be independent directors, including the chairman of the committee.

The committee is chaired by Mr. Sergio R. Ortiz-Luis, Jr. and with Mr. Jesus B. Varela and Mr. Antonio E. Llantada, Jr., as members.

Board Risk Oversight Committee

The Board Risk Oversight Committee shall be responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness. The Board Risk Oversight Committee shall be composed of at least three (3) members of the Board, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee.

The committee is chaired by Mr. Jesus B. Varela with Mr. Francisco C. Canuto and Mr. Sergio R. Ortiz-Luis, Jr. as members.

Audit Committee

The Audit Committee shall enhance the Board's oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The committee shall consist of at least two appropriately qualified non-executive directors, majority of whom, including the chairman of the committee should be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

The committee is chaired by Mr. Antonio E. Llantada, Jr. with Mr. Kevin Andrew L. Tan and Mr. Sergio R. Ortiz-Luis, Jr. as members.

We expect to adopt an Audit Committee Charter that identifies the functions and responsibilities of the Audit Committee, including the (1) review and evaluation of the professional qualifications, performance and independence of the external auditor and the lead partner, (2) review and approval, with the external auditor, of the nature and scope of the audit plans, (3) review and approval of fees, remuneration and terms of engagement of the external auditor for audit and non-audit services, (4) evaluation and approval of non-audit work by external auditors, (5) review of reports or communications of the external auditors, (6) ensuring that the external auditor complies with auditing standards, and (7) ensuring that the external auditor or the lead, engagement, or handling partner having primary responsibility for the audit or review of the Company is changed every five years or earlier.

We also expect to assess the effectiveness of the Audit Committee on an annual basis to ensure that its performance meets and complies with best practices.

Related Party Transaction Committee

The Related Party Transaction Committee shall be tasked with reviewing all material related party transactions of the Company. The Related Party Transaction Committee shall evaluate on an ongoing basis existing relations between and among business and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, related party transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

The Related Party Transaction Committee shall be composed of at least three directors, two of whom should be independent, including the Chairman.

The committee is chaired by Mr. Sergio R. Ortiz-Luis, Jr. with Ms. Lourdes T. Gutierrez and Mr. Jesus B. Varela as members.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Board has adopted the Manual on Corporate Governance ("**Manual**"), which institutionalizes the principles of good corporate governance in the entire organization. We believe that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization.

The Manual provides that it is the Board that has the primary responsibility for the governance of the corporation. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to attend its regular and special meetings in person or through teleconferencing.

In adopting the Manual, we understand the responsibilities of the Board and its members, in governing the conduct of the business of the Company, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

EXECUTIVE COMPENSATION

At present, the directors do not receive any allowance or per diem per meeting. The Company's By-Laws provides that each Director shall receive a reasonable per diem for his or her attendance at every meeting of the Board of Directors. Furthermore, every member of the Board shall receive such compensation for their services, as may, from time to time, be determined by the Board.

Our key officers, namely: Mr. Kevin Andrew L. Tan (President and Chief Executive Officer); Mr. Giovanni Ng (Treasurer); Atty. Maria Carla T. Uykim (Corporate Secretary); and Ms. Cheryll B. Serreno (Compliance Officer and Data Protection Officer), are also serving as officers of the Sponsor. They do not receive any compensation from our Company. The compensation of these officers is paid by our Sponsor. The compensation for our executive officers for the years ended December 31, 2020, 2019 and 2018 amounted to nil.

There are no other executive officers other than aforementioned and there was no other compensation paid to the directors for the periods indicated.

STANDARD ARRANGEMENTS

There have not been, nor will be, any standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, for the last completed fiscal year and the ensuing year.

EMPLOYMENT CONTRACT BETWEEN THE COMPANY AND SENIOR MANAGEMENT OFFICERS

There are no special employment contracts between the Company and Senior Management.

WARRANTS AND OPTIONS HELD BY THE SENIOR MANAGEMENT OFFICERS AND DIRECTORS

There are no outstanding warrants or options held by Senior Management, and all officers and directors as a group.

SIGNIFICANT EMPLOYEE

While we value the contribution of each of our executive and non-executive employees, we believe there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of our Company. Other than standard employment contracts, there are no special arrangements with non-executive employees.

CERTAIN AGREEMENTS RELATING TO OUR COMPANY AND THE PROPERTIES

LEASE AGREEMENTS

Leases on the Land

The land on which the Properties stand are owned by the Sponsor and are not part of the May 3, 2021 Deed. On May 3, 2021, lease contracts were entered into between our Sponsor and the Company for the land on which our 10 Properties stand, the lease term of which is for an aggregate period of 50 years commencing May 3, 2021 and expiring on May 3, 2071.[25]

As of the date of this REIT Plan, the remaining land lease tenure of each of our Properties is 50 years. As consideration for the land lease, our Company will pay the Sponsor rent, exclusive of VAT, DST and other taxes which shall be borne by our Company, as follows:[26]

	Rental rate from July 1, 2023 to June 30, 2025
Office and retail	2.5% of gross rental income
Hotel	1.5% of rentals and revenues
	Rental rate from July 1, 2025 onwards
Office and retail	5.0% of gross rental income
Hotel	3.0% of rentals and revenues

The impact of such rent payment will be reflected in the financial projection for the fiscal year end June 30, 2024 as an increase in expenses.

Deed of Assignment of Leases

On May 18, 2021, our Company and the Sponsor entered into a Deed of Assignment of Leases assigning all of Sponsor's rights and interests in and to the Contracts of Lease over the Properties leased out to various entities, effective upon the issuance of our Company's common shares in the name of the Sponsor.

FUND MANAGEMENT AGREEMENT

The Fund Manager has the overall responsibility for the allocation of the Properties to the allowable investment outlets and selection of income-generating real estate, pursuant to the Fund Management Agreement. The Fund Management Agreement was entered into on May 12, 2021 between the Company and the Fund Manager pursuant to which the Company engaged the Fund Manager to execute and implement the investment strategies for the Company.

The term of the Fund Management Agreement is for five years, commencing on the Listing Date. The Fund Management Agreement automatically renews for successive five-year terms thereafter, unless terminated on certain grounds, including material breach of the agreement.

Pursuant to the Fund Management Agreement, the Fund Manager has the authority to disburse funds of the Company, within the budget approved by the Board, and to designate the authorized signatories to effect such disbursements, oversee and coordinate leasing, negotiate and award contracts for property acquisition, operational and financial reporting, appraisals, audits, market review, accounting and reporting procedures, refinancing and asset disposition plans, all in accordance with the financing, operating, and marketing plans approved by the Company's Board, and to designate the authorized signatories to execute such contracts.

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[25] The lease period commences upon execution of the Contracts of Lease dated May 3, 2021 and shall expire 25 years thereafter, unless sooner terminated as provided therein, with our Company having the option to renew for 25 years on such terms and conditions mutually acceptable to our Company and the Sponsor.

[26] First Addendum to the Contract of Lease dated May 3, 2021 entered into by the Sponsor and our Company on June 7, 2021.

Fund Manager's Services

The services provided by the Fund Manager, pursuant to the Fund Management Agreement, include the following:

- implementing the investment strategies of the Company by:

  (i) determining the allocation of the Company's assets to allowable investment outlets in accordance with this REIT Plan and the investment strategies of the Company; and

  (ii) selecting income-generating real estate in accordance with the Company's investment strategies;

- overseeing and coordinating property acquisition, leasing, operational and financial reporting (including operating budgets), appraisals, audits, market review, accounting and reporting procedures, as well as financing and asset disposition plans;

- causing a valuation of any of the real estate, including the Properties, and other properties of the Company to be carried out by an appointed property valuer once a year and whenever the Fund Manager believes that such valuation is appropriate;

- taking all necessary measures to ensure:

  (i) that the Net Asset Value per unit of the Company is calculated as and when an annual valuation report is issued by a property valuer for the relevant period, and that such Net Asset Value per unit shall be disclosed in the annual reports;

  (ii) that the investment and borrowing limitations set out in this REIT Plan and the conditions under which the Company was authorized are complied with;

  (iii) that all transactions carried out by or on behalf of the Company are conducted at arm's length;

  (iv) that, at all times, the Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement, agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid and binding, and enforceable by or on behalf of the Company; and

  (v) that the Property Manager obtains adequate property insurance for the real properties of the Company, including the Properties, from insurance companies approved by the Fund Manager;

- providing research and analysis on valuation and market movements, including the monitoring of the real estate market for desirable opportunities, and recommend, from time to time, to the Company's Board, the formulation of new, additional, or revised investment policies and strategies;

- recommending the appropriate capital structure for the Company;

- managing assets and liabilities, including investment of corporate funds in money market placements and arrangement of debt for the Company, negotiating and finalizing loan documents on behalf of the Company, and determining debt drawdowns;

- recommending to the Company's Board when to make capital calls and, where appropriate, enforcing or causing the enforcement of remedies for failure of shareholders to deliver capital contributions;

- opening, maintaining, and closing accounts, including custodial accounts with banks, and subject to applicable Philippine law, including banks located outside the Philippines, and drawing checks or other orders for the payment of monies;

- submitting periodic reports ensuring that: (i) the 3-year investment strategy prepared by the Company is submitted to the Philippine SEC and the PSE; and (ii) quarterly written report on the performance of the

Company's fund and properties and of the appropriate benchmarks are submitted to the Company, the Philippine SEC and the PSE within 45 days after the end of each quarter;

- doing such other acts as is necessary or advisable in connection with the maintenance and administration of the Company's assets, including ensuring that all investors in the Company are provided with appropriate and relevant information and communications, as well as supervising all consultants and other service providers of the Company;

- negotiating for the purchase of and purchasing of assets to be held by the Company for investment;

- performing legal review, documentation, structuring, due diligence on assets to be acquired;

- where necessary in the reasonable determination of the Fund Manager, retaining persons, firms or entities to provide certain management and administrative services, including tax, corporate secretarial, and accounting services;

- pursuing various exit options and making necessary strategic recommendations to the Company;

- accrediting insurance companies for the purpose of providing a list of approved insurance companies to the Property Manager for the real properties of the Company, including the Properties;

- fully, properly and clearly recording and documenting all procedures and processes followed, and decisions made in relation to whether or not to invest in a particular property;

- establishing and understanding the investment objectives, instructions, risk profile and investment restrictions of the Company prior to making any investment recommendations or carrying out any transactions for or on behalf of the Company; and

- doing any and all acts on behalf of the Company as it may deem necessary or advisable in connection with the management and administration of the Company's assets, including without limitation, the participation in arrangements with creditors, the institution and settlement of compromise of suits and administrative proceedings and other like or similar matters, as applicable and necessary, and to perform all acts and enter into and perform all contracts and other undertakings that it may deem necessary or advisable or incidental thereto.

Fees

Under the Fund Management Agreement, the Fund Manager will receive a Fund Management Fee. See "*The Fund Manager and the Property Manager—Our Fund Manager—Fund Management Fee*" for more details.

Expenses and Reimbursable Amounts

The Fund Management Fee shall cover the fair and equitable share of our Company for routine or ordinary services, including compensation for its employees and other administrative expenses. The Fund Manager shall be responsible for the expenses necessary to render the relevant fund management services. Our Company is responsible and shall reimburse the Fund Manager for the following special expenses, upon presentation by the Fund Manager of the appropriate documentation: (a) all operating expenses incurred or advanced by the Fund Manager for or on behalf of our Company, including costs and expenses for advertising and promotional expenses, compensation and benefits of, and expenses to be incurred by full-time employees, whether or not directly hired by our Company, or seconded by the Fund Manager on a full-time basis, payroll, representation, transportation, legal, and audit fees; (b) commissions payable to brokers or real estate agents engaged by the Fund Manager; (c) legal, auditing, consulting, financing, and accounting fees and expenses for services rendered by a third-party, including all expenses associated with the preparation of financial statements, tax returns, and associated documentation, and setting up and maintaining the accounting, billing, and collection systems; and (d) any taxes, fees, or other governmental charges levied against our Company and advanced by the Fund Manager on behalf of our Company.

Reimbursement for such expenses, however, is conditional upon such special expenses being: (a) necessary to preserve or enhance the value of the Properties; (b) payable to a third party covered by a separate Agreement; and (c) disclosed to the Shareholders.

Under the Fund Management Agreement, the Fund Manager shall be responsible for the expenses necessary for it to render the relevant fund management services. The Fund Management Fee charged to the Company covers the fair and equitable share of the Company in the routine Fund Manager services, including compensation for its employees and other administrative expenses. The Company is responsible and shall reimburse the Fund Manager for special expenses, conditional upon such special expenses being: (1) necessary to preserve or enhance the value of the properties of the Company, including the Properties; (2) payable to a third party covered by a separate contract, and (3) disclosed to the Shareholders.

Termination

Either the Company or the Fund Manager, as the case may be, may terminate the Fund Management Agreement on the following grounds:

- a material breach, default or failure of the Fund Manager to comply with its obligations and undertakings under the Fund Management Agreement;
- the cessation of the corporate existence of the Fund Manager or the Company;
- the failure of the Fund Manager to obtain or maintain any license required by applicable Philippine Law for its appointment as Fund Manager and the performance of the services identified under the Fund Management Agreement, including any license required to be obtained in accordance with the Fund Management Agreement;
- the insolvency of the Fund Manager or the suspension of payment of its debts or the commission by the Fund Manager of any act of bankruptcy under applicable Philippine Law; or
- the suspension or withdrawal or revocation of any material license or permit necessary for the Fund Manager's performance of its obligations under the Fund Management Agreement, or any adverse decision rendered by any court or Government agency permanently affecting the Fund Manager's performance of its obligations under the Fund Management Agreement.

Assignment

The Fund Manager may not assign its rights and obligations under the Fund Management Agreement without the prior written consent of the Company.

PROPERTY MANAGEMENT AGREEMENT

The Properties comprising the initial portfolio of the Company are managed by the Property Manager pursuant to the Property Management Agreement. This Property Management Agreement was entered into on May 12, 2021 between the Company and the Property Manager pursuant to which the Company engaged the Property Manager to operate, maintain, manage, and market each Property, subject to the overall management and directions of the Fund Manager.

The term of the Property Management Agreement is for five years, commencing on the Listing Date. The Property Management Agreement shall automatically renew for successive five-year terms thereafter, unless terminated on certain grounds, including material breach of the agreement.

Pursuant to the Property Management Agreement, in general, the Company shall have the overall responsibility for the facilities management of the properties, marketing of the office and retail spaces in the Properties, management of client accounts, lease administration, operations management, and handling of tenant relations. To this end, the Property Manager shall have the authority to disburse funds of the Company, in so far as such disbursement relates to its functions, and within the budget approved by the Board, and to designate the authorized signatories to effect such disbursements, negotiate and award lease contracts, execute and deliver, on behalf of the Company, all leasing and broker's contracts in accordance with the leasing and marketing plans approved by the Board, and to designate the authorized signatories to execute such contracts.

Property Manager's Services

The services provided by the Property Manager for each Property under its management include the following:

- marketing of vacant office units, retail units, and other spaces in the Properties (including preparation and submission of proposals and offers to prospective lessees in the name of the Company) and identification of potential tenants;

- formulation and implementation of leasing and marketing strategies, and packaging of leasing and marketing materials to be provided to prospective lessees;

- appointment of, and liaison with, external licensed real estate brokers;

- supervision and coordination of all activities and services to be performed towards ensuring the lease of vacant office units, retail units, and other spaces in the properties;

- negotiation, review, and execution of lease contracts on behalf of the Company, enforcement of lease terms and conditions, and awarding, extension, and termination of leases;

- planning, analysis, and review of tenant mix, rental rates, and policies in relation to industry or market standards and requirements;

- supervision of periodic audit of leases and tenant service requirements, including evaluation of customer satisfaction as properties' tenants;

- preparation of monthly status reports on the leasing performance of the properties and review of financial reports for submission to the Company, and preparation and submission of status reports on the proposals and offers to prospective lessees of the building as and when such information are available;

- supervision of billing and collection of rentals and other payments from tenants;

- monitoring of past due accounts and receivables;

- enforcement of tenancy conditions;

- legal review of lease provisions, preparation of lease contracts and related documentation;

- supervision, monitoring, and fulfillment, including signing of tenants' permit applications as a representative of the Company, for physical tenant requirements including those relating to renovation, construction, and fitting-out of leased premises, or any alteration, additions, or improvements thereon, re-measurement of leased premises, review of tenants' fit-out plans, and monitoring of tenants' fit-out works;

- representation of the Company in compliance with the various government agencies, relating to any concerns regarding management of the Properties;

- review of rules and regulations covering the use of common areas;

- ensuring compliance with government regulations in respect of the Properties;

- performing tenancy administration work, such as managing tenant occupancy and ancillary amenities, and negotiating with tenants on grant, surrender, and renewal of lease, rent review, termination, and re-letting of premises;

- conducting rental assessment, formulating tenancy terms, preparing tenancy agreements, rent collection and accounting, recovery of arrears and possession;

- securing and administering routine management services, including security control, fire precautions, communication systems, and emergency management;

- maintenance and management of the physical structures of the Properties;

- formulate and implement policies and programs in respect of building management, maintenance and improvement;

- initiating refurbishment and monitoring such activity;

- overseeing building management operations relating to security, utilities, repairs, and maintenance, emergency management, and other items constituting direct operating expenses, including engagement of contractors for such purposes, on behalf of the Company;

- performance of any and all acts and functions on behalf of the Company as it may deem necessary, incidental, or advisable in connection with the management and administration of leases, and property management; and

- full, proper, and clear documentation of all procedures and processes followed, and decisions made in relation to whether or not to invest in particular properties in accordance with the REIT Law.

Fees

Under the Property Management Agreement, the Property Manager will receive a Property Management Fee. See "*The Fund Manager and the Property Manager—Our Property Manager—Property Management Fee*" for more details.

Expenses and Reimbursable Amounts

The management fees charged to the our Company shall cover the fair and equitable share of the our Company in the total routine administrative expenses of the Property Manager, such as salaries and wages, supplies, appraisals, security, messengerial and janitorial services, supervision fees imposed by the relevant regulatory agency and internal audit fees. The Property Manager shall be responsible for the expenses necessary for it to render the relevant management services, including compensation for its employees which are assigned to manage and administer the leases on a part-time or full-time basis, and other administrative expenses. Our Company will be responsible and shall reimburse the Property Manager for the following special expenses upon presentation by the Property Manager of the appropriate documentation and conditional upon such special expenses being: (1) necessary to preserve or enhance the value of the Properties; (2) payable to a third party covered by a separate contract, and (3) disclosed to our stockholders: (a) all operating expenses incurred or advanced by the Property Manager for or on behalf of our Company, including costs and expenses for advertising and promotional expenses, compensation and benefits of, and expenses to be incurred by, full-time employees, whether or not directly hired by our Company, or seconded by the Property Manager on a full-time basis, payroll, representation, transportation, legal, and audit fees; (b) commissions payable to brokers or real estate agents; (c) legal, auditing, consulting, financing, and accounting fees and expenses for services rendered by a third-party, including all expenses associated with the preparation of financial statements, tax returns, and associated documentation, and setting up and maintaining the accounting, billing, and collection systems; and (d) any taxes, fees, or other governmental charges levied against our Company and advanced by the Property Manager on behalf of our Company.

Termination

Either the Company or the Property Manager, as the case may be, may terminate the Property Management Agreement on the following grounds:

- a material breach, default, or failure of either party to comply with its obligations and undertakings under the Property Management Agreement;

- the cessation of the corporate existence of either party, or the change of the principal shareholders of either party;

- the insolvency of either party or suspension of payment of its debts or the commission by either party of any act of bankruptcy under applicable Philippine Law; and

- the suspension or withdrawal or revocation of any material license or permit necessary for either party's performance of its obligations under the Fund Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either party's performance of its obligations under the Property Management Agreement, and the effects of such suspension, withdrawal, or revocation of license or permit, or such adverse decision cannot be remedied or persists or continues to remain unremedied.

Assignment

The Property Manager may not assign the Property Management Agreement without the prior written consent of the Company.

Subcontracting

The Property Manager shall be allowed to subcontract any of the services, provided that such subcontractor is reputable and has the required competency to perform the services. Notwithstanding a subcontracting arrangement, the Property Manager shall be primarily responsible for all actions of the subcontractor, and shall hold the Company free and harmless from any and all liabilities, fault, or cause of action of such subcontractor.

TRADEMARK AGREEMENT

McKinley Hill Trademark

The Sponsor, as absolute and registered owner of the McKinley Hill trademark under Registration No. 4/2003/0000820, granted our Company a non-exclusive and royalty-free right to use the Trademark within the Republic of the Philippines solely in connection with its lease of the land in McKinley Hill, Taguig City; more specifically, the limited use of the trademark for branding/marketing of the location of the Properties owned by our Company, for a period of 25 years commencing on June 1, 2021 until June 1, 2046, or until the expiration or termination of the contract of lease, whichever comes first.

Iloilo Business Park Trademark

The Sponsor, as absolute and registered owner of the Iloilo Business Park trademark under Registration No. 4/2007/00012041, granted our Company a non-exclusive and royalty-free right to use the Trademark within the Republic of the Philippines solely in connection with its lease of the land in Iloilo Business Park; more specifically, the limited use of the trademark for branding/marketing of the location of the Properties owned by our Company, for a period of 25 years commencing on June 1, 2021 until June 1, 2046, or until the expiration or termination of the contract of lease, whichever comes first.

MEMORANDUM OF UNDERSTANDING ON FOUR GROWTH ASSETS

On June 10, 2021, our Company and the Sponsor entered into a Memorandum of Understanding for MREIT to pursue the acquisition of the following quality income-generating assets (the "**Income-generating Assets**") owned by Megaworld that fit within the Company's investment strategy to increase potential opportunities for future income and capital growth of the Company in order to secure income growth and provide a Competitive Investment Return to its shareholders:

Building	Location / Township	GLA (in sqm)
Techno Plaza 1	Eastwood City, Quezon City	15,057.5
Cyber One Building	Eastwood City, Quezon City	27,236.1
One Fintech Place	Iloilo Business Park, IloIlo City	18,232.9
Two Techno Place	Iloilo Business Park, IloIlo City	10,808.9
Total		**71,335.4**

Subject to compliance with the RA 9856 (REIT Act of 2009) and SEC MC No. 1, Series of 2020 otherwise known as the Revised IRR of RA 9856 (REIT Act of 2009), to include, among others, completion of the appraisal/valuation by an accredited independent property valuer and the approval by their respective related party committees and boards of directors, our Company and the Sponsor have agreed to execute the definitive agreement(s) for the cash acquisition of three out of the four Income-generating Assets no later than the fourth quarter of 2021 to be funded primarily by debt. These assets were not included in the "Profit Projection" section. The Company and the Sponsor continue to study the accretive value and timing of the proposed acquisition of the 4th Income-generating Asset. We do not expect the Fund Manager to receive any fees relating to the intended acquisition of the Income-generating Assets. The definitive agreement(s) shall be executed no later than December 31, 2021, unless such date is mutually extended by the parties (the "**Closing Date**"), and shall include, among others, the following essential terms and conditions:

(i) The Income-generating Assets shall be used solely for office, retail and other leasing activities;

(ii) Simultaneous with the effectivity of the acquisition of the Income-generating Assets, an agreement shall be entered into for the lease of the land on which the Income-generating Assets stand;

(iii) The Company and the Sponsor shall execute a Deed of Assignment of Leases assigning all of the Sponsor's rights and interests in and to the lease agreements over portions of the Income-generating Assets leased out to various entities. The assignment includes, but is not limited to, the right to receive and collect from the lessees all monies and payments for rental, taxes, utilities, association dues and other assessments, as well as security deposits and advance rental payments arising from the lease contracts;

(iv) The Sponsor shall assign to the Company all special and/or economic incentives applicable to the Income-generating Assets;

(v) The Company and the Sponsor agree that the composition of the Income-generating Assets may be amended; provided, the amendment is made no later than 60 days prior to the Closing Date, the replacement Income-generating Assets meet or exceed the Company's financial and strategic investment criteria and the cost of due diligence; and, the valuation of the replacement Income-generating Assets is borne by the amendment-initiating party; and

(vi) Should the Company decide to sell and dispose the Income-generating Assets in the future, the Company shall notify the Sponsor in writing of its intention to sell within 180 days before the intended sale and Megaworld, or its designated assignee and/or successor-in-interest, shall have a period of 120 calendar days from receipt of such written notice within which to exercise its Right of First Refusal. Parties agree that the Right of First Refusal of the Sponsor is a material covenant.

As opportunity arises, our Company may choose to diversify to other high-growth geographic areas like Cebu, Bacolod, and Pampanga, and other growth areas in the country where the Sponsor's townships are located. Diversification plans include investment in other types of real estate properties, to include industrial, logistics, warehouse, other real property sectors that meet the Company's investment criteria for Grade A, centrally-located, stably occupied, and income producing properties.

As of the date of this REIT Plan, the Company has no indebtedness relating to the Properties. This provides the Company room to further improve its capital structure and enhance equity returns further for its investors through the availment of appropriately priced and structured debt to acquire additional properties for the portfolio.

RELATED PARTY TRANSACTIONS

Property Management Agreement

A Property Management Agreement was entered into on May 12, 2021 between the Company and the Property Manager engaging the Property Manager to operate, maintain, manage, and market the 10 Properties, subject to the overall management and directions of the Fund Manager, for a term of five years, commencing on the Listing Date, which automatically renews for successive five-year terms thereafter, unless terminated on certain grounds, including material breach of the agreement. Property Management Fee is set at two percent (2%) of the Company's Gross Revenue, exclusive of value-added tax, but shall not exceed one percent (1%) of the Net Asset Value of the Properties under its management.

Fund Management Agreement

A Fund Management Agreement was entered into on May 12, 2021 between the Company and the Fund Manager engaging the Fund Manager to execute and implement the investment strategies for the Company on the 10 Properties, for a term of five years, commencing on the Listing Date, which automatically renews for successive five-year terms thereafter, unless terminated on certain grounds, including material breach of the agreement. Fund Manager's Fee is set at three and one half percent (3.5%) of the Company's Gross Revenue, exclusive of value-added taxes, but shall not exceed one percent (1%) of the Net Asset Value of the Properties under management.

Contract of Lease for Richmonde Hotel Iloilo

Our Company and the Sponsor entered into a Contract of Lease over Richmonde Hotel Iloilo where commencing 1 June 2021, and for 25 years, renewable for another 25 years under mutually acceptable terms, our Company shall lease the hotel to the Sponsor. Monthly rental for the first 11 years is set at ₱4,700,000.00 and for years 12 to 25 at ₱3,000,000.00 plus five percent of the gross rooms rental revenue per month, each exclusive of VAT, DST and other taxes which shall be borne by the Sponsor.[27]

There is no service or management fee paid to the Sponsor for the services rendered to the Company under the agreements referenced above.

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[27] June 11, 2021 Amended and Restated Contract of Lease.

PERMITS AND LICENSES

Our Property Manager will be responsible for ensuring our continued compliance with applicable laws and regulations, including any changes or updates that may materially impact or adversely affect our operations and business.

As of the date of the REIT Plan, our Company, the Sponsor or the previous property managers of the assets have obtained all governmental approvals, permits and licenses issued by the appropriate Government agencies or authorities, which are necessary to conduct our business and operations, as confirmed by Adarlo Caoile & Associates in a legal opinion dated June 15, 2021. We are also awaiting issuance of certain permits from the appropriate government agencies in the ordinary course of renewal. Our Company does not expect difficulties in renewing expired permits which are in the process of renewal and, as per the ordinary course of business, are considered valid until their renewal application is rejected. Detailed below are all of the major permits and licenses necessary for us to operate our business, the failure to possess any of which would have a material adverse effect on our business and operations.

Corporate Permits

Company	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date
MREIT, Inc.	Certificate of Incorporation	Securities and Exchange Commission	October 2, 2020	Not indicated
MREIT, Inc.	Certificate of Registration	Bureau of Internal Revenue	May 31, 2021	Not indicated
MREIT, Inc. (formerly Megaworld Holdings, Inc.)	Registry of Establishment	Department of Labor and Employment	June 1, 2021	Not indicated
MREIT, Inc. (formerly Megaworld Holdings, Inc.)	Certificate of Registration	Social Security System	June 1, 2021	Not indicated
MREIT, Inc. (formerly Megaworld Holdings, Inc.	Employer's Data Record	Home Development Mutual Fund	Not indicated	Not indicated
MREIT, Inc. (formerly Megaworld Holdings, Inc.)	Certificate of Registration	Philippine Health Insurance Corporation	June 1, 2021	Not indicated
MREIT, Inc.	Business Permit	City Government of Taguig City	May 26, 2021	December 31, 2021
MREIT, Inc.	Barangay Clearance	Barangay Fort Bonifacio	May 24, 2021	Not indicated

Licenses, Permits, and Certifications relating to 1800 Eastwood Avenue

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-2003-04-156-QC-216)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	May 6, 2003	N/A
Certificate to Operate: Elevator (Cert. No. 210147)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210146)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022

Certificate to Operate: Elevator (Cert. No. 210145)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210144)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210143)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210142)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210141)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210140)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210139)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate of Operation: Internal Combustion Engine (Cert. No. 21-0071)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate of Operation: Internal Combustion Engine (Cert. No. 21-0070)	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate of Operation of Existing Machinery	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate of Annual Electrical Inspection	1800 Eastwood Avenue Building Administration, Inc.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Fire Safety Inspection Certificate	1800 Eastwood Avenue Building Administration, Inc.	Bureau of Fire Protection	June 2, 2021	June 2, 2022
Hazardous Waste Generator Registration	1800 Eastwood Avenue Building Administration, Inc.	Department of Environment and Natural Resources	October 9, 2017	Not indicated
Certificate of Accreditation as Pollution Control Officer	Erica A. Figuracion of 1800 Eastwood Avenue Building Administration,	Department of Environment and Natural Resources	March 3, 2021	March 3, 2024

	Inc.			
PTO - Air Pollutions Source Installations	Megaworld Corporation	Department of Environment and Natural Resources	July 30, 2018	September 16, 2023
Supplemental Agreement	Eastwood Cyber One Corporation	Philippine Economic Zone Authority	January 19, 2006	Not indicated

** Permits / Licenses / Certifications / Registrations in the name of other entities will be secured under the name of MREIT, Inc. in the next permitting cycle or are in the process of being transferred to MREIT, Inc.*

Licenses, Permits, and Certifications relating to 1880 Eastwood Avenue

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-2003-04-156-QC-216)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	May 6, 2003	N/A
Certificate to Operate: Elevator (Cert. No. 210154)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210153)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210152)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210151)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210150)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210149)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate to Operate: Elevator (Cert. No. 210148)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate of Operation: Internal Combustion Engine (Cert. No. 21-0073)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate of Operation: Internal Combustion Engine (Cert. No. 21-0072)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022

Certificate of Operation of Existing Machinery (Cert. No. 21-0113)	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Certificate of Annual Electrical Inspection	1880 Eastwood Avenue Building/Megaworld Corp.	City Government of Quezon City - Annual Building Inspection Division	February 16, 2021 (inspection date)	February 16, 2022
Fire Safety Inspection Certificate	1880 Eastwood Avenue Building/Megaworld Corp.	Bureau of Fire Protection	June 2, 2021	June 2, 2022
Hazardous Waste Generator Registration	1880 Eastwood Avenue Building/Megaworld Corp.	Department of Environment and Natural Resources	October 9, 2017	Not indicated
PTO - Air Pollutions Source Installation and Genset**	1800 Eastwood Avenue Building Administration, Inc	Department of Environment and Natural Resources	June 7, 2021	September 7, 2021
Supplemental Agreement	Eastwood Cyber One Corporation	Philippine Economic Zone Authority	October 10, 2007	Not indicated

** Permits / Licenses / Certifications / Registrations in the name of other entities will be secured under the name of MREIT, Inc. in the next permitting cycle or are in the process of being transferred to MREIT, Inc.*
*** We are in the process of renewing this permit.*

Licenses, Permits, and Certifications relating to E-Commerce Plaza

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-LLDA-2007-137-8420)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	May 3, 2007	N/A
Certificate of Operation: Elevator Unit No. 1	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Operation: Elevator Unit No. 2	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Operation: Elevator Unit No. 3	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Operation: Elevator Unit No. 4	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Operation: Elevator Unit No. 5	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Operation: Elevator Unit No. 6	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Operation: Internal Combustion Engine	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building	June 2, 2021	June 2, 2022

Unit (Cert. No. 21-0090)		Inspection Division		
Certificate of Operation: Internal Combustion Engine Unit (Cert. No. 21-0089)	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Operation of Existing Machinery (Cert. No. 21-0124)	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Certificate of Annual Electrical Inspection (Cert No. 21-0213)	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government	June 2, 2021	June 2, 2022
Certificate of Operation: Elevator Unit No. 1	E-Commerce Plaza Bldg. / Megaworld Corporation	City Government of Quezon City - Annual Building Inspection Division	June 2, 2021	June 2, 2022
Fire Safety Inspection Certificate	E-Commerce Plaza Building Administration, Inc.	Bureau of Fire Protection	September 29, 2020	September 29, 2021
Hazardous Waste Generator Registration	E-Commerce Plaza Building Administration, Inc.	Department of Environment and Natural Resources	March 19, 2012	Not indicated
Certificate of Accreditation as Pollution Control Officer	Rommel S. Magallanes of E-Commerce Plaza Building Administration, Inc.	Department of Environment and Natural Resources	November 26, 2019	November 26, 2022
PTO - Air Pollutions Source Installations	Megaworld Corporation	Department of Environment and Natural Resources	November 18, 2019	September 1, 2024
Certificate of Interconnection (STP)	E-Commerce Plaza Building	Eastwood City Estates Association, Inc.	June 1, 2021	Not indicated
Supplemental Agreement	Eastwood Cyber One Corporation	Philippine Economic Zone Authority	October 10, 2007	Not indicated

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Licenses, Permits, and Certifications relating to 8/10 Upper McKinley Building and 18/20 Upper McKinley Building

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-LLDA-2007-089-8420)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	March 30, 2007	N/A
Certificate of Annual Inspection	MREIT, INC. / 8-10 & 8-20 UPPER MCKINLEY BLDGS.	City Government of Taguig - Office of the Building Official	August 10, 2021	August 10, 2022
Certificate of Operation: Service Elevator #01	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Service Elevator #02	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Passenger Elevator #01	MREIT, INC.	City Government of Taguig - Office of the Building	August 09, 2021	August 10, 2022

		Official		
Certificate of Operation: Passenger Elevator #02	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Passenger Elevator #03	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Passenger Elevator #04	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Passenger Elevator #05	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Passenger Elevator #06	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Internal Combustion Engine #01	MREIT, INC. / 8-10 / 8-20 Upper Mckinley Tower B	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Internal Combustion Engine #02	MREIT, INC. / 8-10 / 8-20 Upper Mckinley Tower B	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Operation: Machinery	MREIT, INC.	City Government of Taguig - Office of the Building Official	August 09, 2021	August 10, 2022
Certificate of Annual Electrical Inspection	MREIT, INC. / 8-10 & 8-20 UPPER MCKINLEY BLDGS.	City Government of Taguig - Office of the Building Official	August 10, 2021	August 10, 2022
Fire Safety Inspection Certificate	8UM Building Administration, Inc.	Bureau of Fire Protection	November 19, 2020	November 19, 2021
Hazardous Waste Generator Registration	Two World and Three World Square	Department of Environment and Natural Resources	June 17, 2021	Not indicated
PTO - Air Pollutions Source Installation and Genset**	2WS Building Administration, Inc.	Department of Environment and Natural Resources	June 10, 2021	September 10, 2021
Registration Agreement	Megaworld Corporation	Philippine Economic Zone Authority	April 23, 2007	Not indicated

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*** We are in the process of renewing this permit.*

Licenses, Permits, and Certifications relating to One World Square

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-LLDA-2006-056-8420)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	April 12, 2006	N/A

Certificate of Annual Inspection	Megaworld Corporation/One World Square	City Government of Taguig - Office of the Building Official	May 16, 2021	Not indicated
Certificate of Operation: Passenger Elevator	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 3, 2021	May 16, 2022
Certificate of Operation: Internal Combustion Engine I	Megaworld Corporation/One World Square	City Government of Taguig - Office of the Building Official	June 3, 2021	May 16, 2022
Certificate of Operation: Airconditioning Unit/Mechanical Ventilation	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 3, 2021	May 16, 2022
Certificate of Annual Electrical Inspection	Megaworld Corporation / One World Square	City Government of Taguig - Office of the Building Official	May 16, 2021	May 16, 2022
Fire Safety Inspection Certificate	1WS Building Administration, Inc.	Bureau of Fire Protection	August 4, 2021	August 4, 2022
Hazardous Waste Generator Registration	1WS Building Administration, Inc.	Department of Environment and Natural Resources	April 10, 2017	Not indicated
Certificate of Accreditation of Pollution Control Officer	1WS Building Administration, Inc.	Department of Environment and Natural Resources	May 31, 2021	May 31, 2024
Permit to Operate Air Pollution Source and Control Installations	Megaworld Corporation	Department of Environment and Natural Resources	April 12, 2017	October 15, 2021
Registration Agreement	Megaworld Corporation	Philippine Economic Zone Authority	April 23, 2007	Not indicated

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Licenses, Permits, and Certifications relating to Two World Square

Permits / License / Certification	Issued to*	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-LLDA-2007-089-8420)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	March 30, 2007	N/A
Certificate of Annual Inspection	Megaworld Corporation/Two World Square	City Government of Taguig - Office of the Building Official	May 21, 2021	Not indicated
Certificate of Operation: Passenger Elevator No. 1	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 3, 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 2	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 3	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022

Certificate of Operation: Passenger Elevator No. 4	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 5	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 6	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Internal Combustion Engine I	Megaworld Corporation/Two World Square	City Government of Taguig - Office of the Building Official	June 3, 2021	May 21, 2022
Certificate of Operation: Air Conditioning Unit/Mechanical Ventilation	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 3, 2021	May 21, 2022
Certificate of Annual Electrical Inspection	Megaworld Corporation/Two World Square	City Government	May 21, 2021	May 21, 2022
Fire Safety Inspection Certificate	2WS Building Administration, Inc.	Bureau of Fire Protection	September 30, 2020	September 30, 2021
Hazardous Waste Generator Registration	Two World and Three World Square	Department of Environment and Natural Resources	June 17, 2021	Not indicated
Certificate of Accreditation of Pollution Control Officer	2WS Building Administration, Inc. – Two World Square	Department of Environment and Natural Resources	June 3, 2021	June 3, 2024
PTO - Air Pollutions Source Installation and Genset**	2WS Building Administration, Inc.	Department of Environment and Natural Resources	June 10, 2021	September 10, 2021
Registration Agreement	Megaworld Corporation	Philippine Economic Zone Authority	April 23, 2007	Not indicated

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** *We are in the process of renewing this permit.*

Licenses, Permits, and Certifications relating to Three World Square

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-LLDA-2007-089-8420)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	March 30, 2007	Not indicated
Certificate of Annual Inspection	Megaworld Corporation/Three World Square	City Government of Taguig - Office of the Building Official	May 21, 2021	Not indicated
Certificate of Operation: Passenger Elevator No. 1	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022

Certificate of Operation: Passenger Elevator No. 2	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 3	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 4	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 5	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Passenger Elevator No. 6	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 2021	May 21, 2022
Certificate of Operation: Internal Combustion Engine I	Megaworld Corporation/Three World Square	City Government of Taguig - Office of the Building Official	June 3, 2021	May 21, 2022
Certificate of Operation: Air Conditioning Unit/Mechanical Ventilation	Megaworld Corporation	City Government of Taguig - Office of the Building Official	June 3, 2021	May 21, 2022
Certificate of Annual Electrical Inspection	Megaworld Corporation/Two World Square	City Government	May 21, 2021	May 21, 2022
Fire Safety Inspection Certificate	2WS Building Administration, Inc.	Bureau of Fire Protection	September 30, 2020	September 30, 2021
Hazardous Waste Generator Registration	Two World and Three World Square	Department of Environment and Natural Resources	June 17, 2021	Not indicated
PTO - Air Pollutions Source Installation and Genset**	2WS Building Administration, Inc.	Department of Environment and Natural Resources	June 10, 2021	September 10, 2021
Registration Agreement	Megaworld Corporation	Philippine Economic Zone Authority	April 23, 2007	Not indicated

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*** We are in the process of renewing this permit.*

Licenses, Permits, and Certifications relating to One Techno Place Iloilo

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-R6-1009-302-5010)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - National Capital Region	March 17, 2017	N/A
Annual Building Safety Inspection	One Techno Place	City Government of Iloilo	June 1, 2021	Not indicated
Certificate of Inspection and Operation: Elevator No. 1	One Techno Place	City Government of Iloilo	February 2, 2021	February 2, 2022

Certificate of Inspection and Operation: Elevator No. 2	One Techno Place	City Government of Iloilo	February 2, 2021	February 2, 2022
Certificate of Inspection and Operation: Elevator No. 3	One Techno Place	City Government of Iloilo	February 2, 2021	February 2, 2022
Certificate of Inspection and Operation: Elevator No. 4	One Techno Place	City Government of Iloilo	February 2, 2021	February 2, 2022
Certificate of Operation: Internal Combustion Engine 1	One Techno Place	City Government of Iloilo	March 31, 2021	February 2, 2022
Certificate of Operation: Internal Combustion Engine 2	One Techno Place	City Government of Iloilo	March 31, 2021	February 2, 2022
Certificate of Operation: Internal Combustion Engine 3	One Techno Place	City Government of Iloilo	March 31, 2021	February 2, 2022
Certificate of Operation: Internal Combustion Engine 4	One Techno Place	City Government of Iloilo	March 31, 2021	February 2, 2022
Certificate of Operation: Machinery	One Techno Place	City Government of Iloilo	March 31, 2021	February 2, 2022
Certificate of Annual Electrical Inspection	One Techno Place	City Government of Iloilo	April 15, 2021	Not indicated
Fire Safety Inspection Certificate	One Technoplace Building Administration Inc.	Bureau of Fire Protection	March 15, 2021	March 15, 2022
Hazardous Waste Generator Registration	One Techno Place Building	Department of Environment and Natural Resources	August 28, 2018	Not indicated
Certificate of Accreditation as Pollution Control Officer	Erica A. Figuracion of One Technoplace, Two Technoplace	Department of Environment and Natural Resources	September 8, 2020	September 8, 2023
Permit to Operate Air Pollution Source Installations	Iloilo BPO Office Clusters (One Techno Place Building C)	Department of Environment and Natural Resources	August 15, 2017	January 30, 2022
Registration Agreement	Megaworld Corporation	Philippine Economic Zone Authority	January 21, 2010	Not indicated

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Licenses, Permits, and Certifications relating to Richmonde Tower

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-R6-1103-061-9820)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - Region VI Western Visayas	April 15, 2011	N/A
Mechanical Annual Inspection Report	Richmonde Tower Building Administration, Inc.	City Government of Iloilo	February 22, 2021	Not indicated

Certificate of Operation: Elevator No. 1	Richmonde Tower Building Administration, Inc.	City Government of Iloilo	April 26, 2021	February 1, 2022
Certificate of Operation: Elevator No. 2	Richmonde Tower Building Administration, Inc.	City Government of Iloilo	April 26, 2021	February 1, 2022
Certificate of Operation: Elevator No. 3	Richmonde Tower Building Administration, Inc.	City Government of Iloilo	April 26, 2021	February 1, 2022
Certificate of Operation: Internal Combustion Engine No. 1	Richmonde Tower Building Administration, Inc.	City Government of Iloilo	April 26, 2021	February 1, 2022
Certificate of Operation: Internal Combustion Engine No. 2	Richmonde Tower Building Administration, Inc.	City Government of Iloilo	April 26, 2021	February 1, 2022
Certificate of Operation: Machinery	Richmonde Tower Building Administration, Inc.	City Government of Iloilo	April 26, 2021	February 1, 2022
Certificate of Annual Electrical Inspection	Richmonde Tower	City Government of Iloilo	April 15, 2021	Not indicated
Fire Safety Inspection Certificate	Richmonde Tower Building Administration, Inc.	Bureau of Fire Protection	August 16, 2021	August 16, 2022
Hazardous Waste Generator Registration	Richmonde Hotel Iloilo / Richmonde Tower	Department of Environment and Natural Resources	June 5, 2017	Not indicated
PCO Accreditation	Arvin B. Mamuric of Richmonde Hotel Iloilo / Richmonde Tower	Department of Environment and Natural Resources	June 9, 2021	June 9, 2022
Permit to Operate Air Pollution Source and Control Installations	Richmonde Tower Building Administration, Inc.	Department of Environment and Natural Resources	January 23, 2018	January 15, 2022
Registration Agreement	Megaworld Corporation	Philippine Economic Zone Authority	January 21, 2010	Not indicated

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Licenses, Permits, and Certifications relating to Richmonde Hotel Iloilo

Permits / License / Certification	Issued to *	Issuing Agency	Issue Date	Expiry Date
Environmental Compliance Certificate (ECC-R6-1103-061-9820)	Megaworld Corporation	Department of Environment and Natural Resources - Environmental Management Bureau - Region VI Western Visayas	April 15, 2011	N/A
Certificate of Operation - Service Elevator I	Richmonde Hotel Iloilo	City Government of Iloilo	June 21, 2021	February 1, 2022
Certificate of Operation - Service Elevator II	Richmonde Hotel Iloilo	City Government of Iloilo	June 21, 2021	February 1, 2022
Certificate of Operation - Elevator I	Richmonde Hotel Iloilo	City Government of Iloilo	June 21, 2021	February 1, 2022

Certificate of Operation - Elevator II	Richmonde Hotel Iloilo	City Government of Iloilo	June 21, 2021	February 1, 2022
Certificate of Operation - Elevator III	Richmonde Hotel Iloilo	City Government of Iloilo	June 21, 2021	February 1, 2022
Certificate of Operation: Internal Combustion Engine	Richmonde Hotel	City Government of Iloilo	March 31, 2021	February 1, 2022
Certificate of Operation: Machinery	Richmonde Hotel	City Government of Iloilo	March 31, 2021	February 1, 2022
Certificate of Annual Electrical Inspection	Richmonde Hotel Iloilo	City Government of Iloilo	April 15, 2021	Not indicated
Fire Safety Inspection Certificate	Richmonde Hotel Iloilo	Bureau of Fire Protection	June 17, 2021	June 17, 2022
Hazardous Waste Generator Registration	Richmonde Hotel Iloilo / Richmonde Tower	Department of Environment and Natural Resources	June 5, 2017	Not indicated
PCO Accreditation	Arvin B. Mamuric of Richmonde Hotel Iloilo / Richmonde Tower	Department of Environment and Natural Resources	June 9, 2021	June 9, 2022
PTO - Air Pollutions Source Installation and Genset	Richmonde Hotel Iloilo	Department of Environment and Natural Resources	June 27, 2017	January 15, 2022

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REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

REAL ESTATE LAWS

The REIT Law

Republic Act No. 9856 or the Real Estate Investment Trust Act of 2009 lapsed into law on December 17, 2009. Pursuant to Section 22 of the said law, the Philippine SEC approved the implementing rules and regulations of the Real Estate Investment Trust Act of 2009 on May 13, 2010. Under the REIT Law, a REIT is a stock corporation established primarily for the purpose of owning income-generating real estate assets. Although designated as a trust, the REIT Law explicitly provides that a REIT is not a "trust" as contemplated under other existing laws and regulations. Instead, the term is used for the sole purpose of adopting the internationally accepted description of the company in accordance with global best practices.

On January 20, 2020, the Philippine SEC issued Memorandum Circular No. 1, Series of 2020 (the "**Revised REIT IRR**"), amending the existing REIT regulations by, among other things, modifying the minimum public ownership of a REIT, incorporating a reinvestment of proceeds policy, imposing additional corporate governance mechanisms into a REIT, and adding qualifications of a REIT fund manager and property manager. The regulatory amendment was published in a newspaper of general circulation on January 23, 2020 and became effective on February 7, 2020.

Minimum Requirements of a REIT

In order to be considered a REIT and to benefit from the incentives under the law, the shares of a REIT must be registered with the Philippine SEC in accordance with the SRC and listed with the PSE in accordance with its Listing and Disclosure Rules and its Amended Listing Rules for REITs (the "**PSE Rules**"). The procedure for the registration and listing of such shares as a REIT shall comply with the applicable registration and listing rules and regulations of the Philippine SEC and the PSE, in addition to the specific requirements under the REIT Law and the PSE Rules.

Pursuant to the SRC and PSE Rules, a REIT must meet the following requirements:

1. A REIT must be incorporated as a stock corporation with a minimum paid-up capital of ₱300,000,000 at the time of incorporation which can be either in cash and/or property;

2. Its Articles of Incorporation and By-Laws must provide that all the shares of stock of the REIT shall be issued in the form of uncertificated securities;

3. It must be a public company and to be considered as such, maintain its status as a listed company; and upon and after listing, have at least 1,000 public shareholders each owning at least 50 shares of any class of shares who in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT;

4. It must appoint a fund manager that is independent from the REIT and its sponsor(s)/promoter(s), and is in compliance with the Fit and Proper Rule of the Philippine SEC for a REIT and the Revised REIT IRR;

5. It must appoint a property manager who is independent from the REIT and its sponsor/promoter(s), and is in compliance with the Fit and Proper Rule of the Philippine SEC for a REIT and the Revised REIT IRR;

6. At least 1/3 or at least two (2), whichever is higher, of the Board of Directors of the REIT must be independent directors;

7. It must have such organization and governance structure that is consistent with the Revised Code of Corporate Governance and pertinent provisions of the SRC and hold such meetings as provided for in its constitutive documents pursuant to the Philippine Revised Corporation Code;

8. It must submit a reinvestment plan and a firm undertaking on the part of its sponsors/promoters which transferred income-generating real estate to the REIT to reinvest in real estate or infrastructure projects in the Philippines any monies realized by such sponsors/promoters from (a) the subsequent sale of REIT shares or other securities issued in exchange of income-generating real estate transferred by such sponsors/promoters to the REIT; or (b) the sale of any income-generating real estate to the REIT;

9. A REIT must distribute at least 90% of its distributable income annually, as dividends to its shareholders not later than the last working day of the fifth (5th) month following the close of the fiscal year of the REIT, subject to the conditions provided in Rule 4, Section 4 of the Revised REIT IRR;

10. The REIT shall also appoint an independent and duly accredited Property Valuer in accordance with Rule 9, Section 1 of the Revised REIT IRR; and

11. The REIT may only invest in certain allowable investments as will be further discussed in detail below.

Allowable Investments of a REIT

The REIT Law and the Revised REIT IRR limit the allowable investment of a REIT to the following:

1. Real Estate, whereby 75% of the total value of the REIT's assets reflecting the fair market value of total assets held ("**Deposited Property**") must be invested in, or consist of, income-generating real estate and 35% of which must be located in the Philippines. Should a REIT invest in income-generating real estate located outside of the Philippines, the same should not exceed 40% of its Deposited Property and only upon special authority from the Philippine SEC. An investment in real estate may be by way of direct ownership or a shareholding in a domestic special purpose vehicle constituted to hold/own real estate. The real estate to be acquired by the REIT should have a good track record for three years from date of acquisition. An income-generating real estate is defined under the REIT Law to mean real property which is held for the purpose of generating a regular stream of income such as rentals, toll fees, user's fees, ticket sales, parking fees and storage fees;

2. Real estate-related assets, wherever the issuers, assets, or securities are incorporated, located, issued or traded;

3. Evidence of indebtedness of the Republic of the Philippines and other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines (i.e., treasury bills, fixed rate treasury notes, retail treasury bonds denominated in either Philippine or in foreign currency, and foreign currency linked notes);

4. Bonds and other evidence of indebtedness issued by: (a) the government of any foreign country with which the Philippines maintains diplomatic relations, with a credit rating obtained from a reputable credit rating agency or a credit rating agency acceptable to the Philippine SEC that is at least two notches higher than that of ROP bonds; and (b) supranationals (or international organizations whose membership transcends national boundaries or interests, e.g. International Bank for Reconstruction and Development or the Asian Development Bank);

5. Corporate bonds or non-property privately-owned domestic corporations duly registered with the Philippine SEC with a current credit rating of at least "A" by an accredited Philippine rating agency;

6. Corporate bonds of a foreign non-property corporation registered in another country provided that said bonds are duly registered with the Philippine SEC and the foreign country grants reciprocal rights to Filipinos;

7. Commercial papers duly registered with the Philippine SEC with a current investment grade credit rating based on the rating scale of an accredited Philippine rating agency at the time of investment;

8. Equities of a non-property company listed in a local or foreign stock exchange, provided that these stocks shall be issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past 3 years;

9. Cash and cash equivalent items;

10. Collective investment schemes duly registered with the Philippine SEC or organized pursuant to the rules and regulation of the BSP, provided that: (i) the collective investment scheme must have a track record of performance at par with or above the median performance of pooled funds in the same category as appearing the prescribed weekly publication of the Net Asset Value Per Unit of the Collective Investment Scheme units; and (ii) new collective investment schemes may be allowed provided that its fund manager has at least a three-year track record in managing pooled funds;

11. Offshore mutual funds with ratings acceptable to the Philippine SEC; and

12. Synthetic Investment Products, provided that (i) it shall not constitute more than five percent (5%) of its investible funds; (ii) availment is solely for the purpose of hedging risk exposures of the existing investments of the REIT; (iii) it shall be accounted for in accordance with the PFRS; (iv) it shall be issued by authorized banks or non-bank financial institutions in accordance with the rules and regulations of the BPS and/or the Philippine SEC; and (iv) its use shall be disclosed in the REIT Plan and under special authority from the Philippine SEC.

Taxation of REITs

Income Tax

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020 and by Republic Act No. 11534, otherwise known as the CREATE Law (the "**CREATE Law**"), a REIT shall be taxable on all income derived from sources within and without the Philippines at the applicable income tax rate of 25% as provided under Section 27(A) of the National Internal Revenue Code, as amended (the "**Tax Code**") on its taxable net income as defined in the REIT Law and Revenue Regulations No. 13-2011, as amended, provided, that in no case shall it be subject to minimum corporate income tax.

Under the REIT Law, taxable net income means the pertinent items of gross income specified in Section 32 of the Tax Code less (a) all allowable deductions enumerated in Section 34 of the Tax Code (itemized or optional standard deductions) and (b) the dividends distributed by a REIT out of its own Distributable Income as of the end of the taxable year as (i) dividends to owners of the Shares and (ii) dividends to owners of the preferred shares pursuant to their rights and limitations specified in the Articles of Incorporation of the REIT. Furthermore, for purposes of computing the taxable net income of a REIT, the dividends allowed as deductions during the taxable year pertain to dividends actually distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth month from the close of the taxable year. Dividends distributed within this prescribed period shall be considered as paid on the last day of REIT's taxable year.

In computing the income tax due of a REIT, the formula to be used shall be as follows:

Gross Income	(as defined under Section 32 of the Tax Code)
Less:	
Allowable Deductions	(as provided under Section 34 whether itemized or Optional Standard Deduction)
Dividends Paid	(as defined under Revenue Regulations No. 13-11, as amended)
Taxable Net Income	
x 25%	
Income Tax Due	

Under Revenue Regulations No. 3-2020, a REIT shall maintain its status as a public company from the year of its listing, at the latest and thereafter, and shall comply with the provisions of its submitted Reinvestment Plan, as certified by the Philippine SEC. Otherwise, the dividend payment shall not be allowed as a deduction from its taxable income. For purposes of Revenue Regulations No. 3-2020, a "public company" is a company listed with the Exchange and which, upon and after listing, has at least 1,000 public shareholders each owning at least 50 shares of any class and who, in the aggregate, own at least one-third (1/3) of the outstanding capital stock of the REIT.

Furthermore, upon the occurrence of any of the following events, a REIT shall be subject to income tax on its taxable net income as defined in the Tax Code instead of its taxable net income as defined in the REIT Law: (a) failure to maintain its status as a public company as defined in the REIT Law; (b) failure to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the Philippine SEC; (c) failure to distribute at least 90% of its Distributable Income as required by the REIT Law; (d) failure to comply with the Reinvestment Plan, as certified by the Philippine SEC or (e) any combination of the foregoing. A curing period of 30 days shall be observed from the time of the occurrence of any of the abovementioned events. The Philippine SEC shall determine the appropriate compliance by the REIT within the curing period, the result of which shall be immediately communicated to the BIR.

A REIT availing of tax incentives under the REIT Law shall not be entitled to avail of incentives for the same types of taxes that may be available under special laws. Moreover, under Revenue Regulations No. 3-2020, as a condition for the availment of tax incentives, the REIT must comply with its Reinvestment Plan, as certified by the Philippine SEC. The Certification from the Philippine SEC that the REIT is compliant with its Reinvestment Plan must be submitted by the REIT as an attachment to its Annual Income Tax return and Audited Financial Statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Creditable Withholding Tax

Income payments received by a REIT which are subject to the expanded withholding tax shall be subject to a lower creditable withholding tax of 1%.

Transfer Taxes

The sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest thereto, shall be subject to 50% of the applicable Documentary Stamp Tax ("**DST**"). Moreover, all applicable registration and annotation fees relative or incidental thereto shall be 50% of the applicable registration and annotation fees. Both incentives can be availed by an unlisted REIT, provided it is listed with the PSE within two years from the initial availment of the incentives.

The 50% of the applicable DST shall be due and demandable together with the applicable surcharge, penalties, and interest thereon reckoned from the date such tax should have been paid upon the occurrence of any of the following events: (a) failure to list with the PSE within a period of two years from the date of initial availment; (b) failure to maintain its status as a public company as defined in the REIT Law; (c) failure to maintain the listed status of the investor securities on the PSE and the registration of the investor securities with the Philippine SEC; (d) failure to distribute at least 90% of its Distributable Income required under the REIT Law or (e) failure to comply with the Reinvestment Plan as certified by the Philippine SEC. A curing period of 30 days shall be observed from the time of the occurrence of any of the abovementioned events. The Philippine SEC shall determine the appropriate compliance by the REIT within the curing period, the result of which shall be immediately communicated to the BIR.

Value Added Tax

The gross sales from any disposal of real property or gross receipts from the rental of such real property by the REIT shall be subject to Value Added Tax ("**VAT**"). The REIT shall not be considered as a dealer in securities and shall not be subject to VAT on its sale, exchange, or transfer of securities forming part of its real estate-related assets.

On January 29, 2020, the BIR issued Revenue Regulations No. 3-2020 amending certain provisions of Revenue Regulations No. 13-2011, implementing the tax provisions of the REIT Law. Pursuant to Revenue Regulations No. 3-2020, the transfer of property to a REIT in exchange for its shares is exempt from VAT, as well as income tax and DST, if made pursuant to a tax-free exchange under Section 40(C)(2) of the Tax Code.

Tax-Free Exchange

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020, transfers or exchanges of real property for shares of stock in a REIT falling under Section 40(C)(2) of the Tax Code shall have the following tax consequences: (a) the transferor shall not recognize any gain or loss on the transfer of the property to a REIT, and shall not be subject to capital gains tax, income tax, or creditable withholding tax on the transfer of such property to a REIT; (b) the transfer of property to a REIT in exchange for its shares is exempt from VAT as provided under Section 109(X), in relation to Section 40(C)(2) of the Tax Code; and (c) the transfer would be exempt from DST as provided under Section 199 of the Tax Code.

In general, Section 15 of Revenue Regulations No. 13-2011 provides that unless otherwise provided in the REIT Law, the internal revenue taxes under the Tax Code shall apply.

On January 2018, Republic Act No. 10963 otherwise known as the Tax Reform for Acceleration and Inclusion Act (the "**TRAIN Law**") was passed, and Section 86 thereof provides for a repealing clause enumerating the laws or provisions of laws that are repealed and the persons and/or transactions affected made subject to the changes in the VAT provisions of Title IV of the Tax Code, as amended. The REIT Law is not part of this enumeration. On March 15, 2018, the BIR issued Revenue Regulations No. 13-2018, amending the consolidated VAT rules under Revenue Regulations No. 16-2005. Among other things, Revenue Regulations No. 13-2018 inserted as among the VAT exempt transactions the transfer of property pursuant to Section 40(C)(2) of the Tax Code implementing Section 34 of the TRAIN Law.

On January 29, 2020, the BIR issued Revenue Regulations No. 3-2020 amending certain provisions of Revenue Regulations No. 13-2011, implementing the tax provisions of the REIT Law. Pursuant to Revenue Regulations No. 3-2020, the transfer of property to a REIT in exchange for its shares is exempt from VAT as provided under Section 109(X) of the Tax Code.

Previous tax regulations required entities entering into tax-free exchanges to obtain a confirmation or ruling from the Bureau of Internal Revenue that a transaction would qualify as a tax-free exchange. On April 11, 2021, Republic Act No. 11534, otherwise known as the CREATE Law (the "**CREATE Law**"), took effect. The CREATE Law expanded the list of tax-free exchanges and reiterated the VAT exemption of these transactions. It also removed the requirement of confirmation. Now, prior confirmation of the tax-free nature of an exchange under Section 40(C)(2) of the Tax Code need not be obtained from the Bureau of Internal Revenue for purposes of availing of the tax exemption. As such, at present, only a tax clearance ("**CAR**") need be obtained from the relevant Revenue District Office to effect the transfer of assets and issuance of shares through a tax-free exchange.

Reportorial Requirements and Other Matters

Under Revenue Regulations No. 13-2011, every quarter, a REIT is required to submit to the Large Taxpayers Regular Audit Division 3 ("**LTRAD 3**") a sworn statement containing the list of its shareholders, their Tax Identification Number, their shareholdings, and the percentage that their shareholding represents.

As a withholding agent, the REIT is required to file withholding tax returns and remit withholding taxes on all income payments that are subject to withholding pursuant to the provisions of the Tax Code and its implementing regulations.

A REIT shall, in addition to the existing requirements under the Tax Code and its implementing regulations, and the requirements contained in the above paragraphs, submit to LTRAD 3, annually on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year) the following:

- a certification by a responsible person designated by the Philippine SEC that the REIT is compliant with the minimum public ownership requirement;
- a schedule of dividend payments indicating the name, address, amount of investment, classification of shares, amount of dividends, final tax-due of each investor, and a sworn statement that the minimum ownership requirement was maintained at all times;
- a certified true copy of the Philippine passport, or Certificate of Recognition issued under Republic Act No. 9255 of an overseas Filipino investor;
- a certified true copy of the employment contract of an overseas Filipino investor;
- a copy of the contract between the REIT and its fund manager;

- a copy of the contract between the REIT and its property manager;
- a written report on the performance of the REIT's funds and properties;
- any amendment(s) to the REIT Plan as approved by the Philippine SEC;
- a copy of the valuation report prepared by the REIT's appointed property valuer; and
- original/certified true copy of the Certification from the Philippine SEC that the REIT is compliant with its Reinvestment Plan, duly received by the BIR.

In case of each failure to file an information return, statement, or list, or to keep any record, or to supply any information required by Revenue Regulations No. 13-2011, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall upon notice and demand by the Philippine SEC, payment by the person failing to file, keep, or supply the same of ₱1,000 for each such failure; provided, however, that the aggregate amount to be imposed for all such failures during a calendar year shall not exceed ₱25,000.

Tax Incentives

A REIT enjoys the following tax incentives:

1. A tax deduction for dividends paid, in addition to the allowable deductions provided for under the Tax Code, to arrive at its taxable net income. For a REIT to enjoy this tax incentive, it should maintain its status as a "public company," observe the mandatory 90% dividend pay-out requirement of distributable income to shareholders, and submit a sworn statement that the minimum ownership requirements for the relevant years were maintained at all times."

2. Exemption from the minimum corporate income tax ("**MCIT**"), as well as documentary stamp tax ("**DST**") on the sale, barter, exchange, or other disposition of listed investor securities through the PSE, including cross or block sales with prior approval of the PSE. It is also exempted from paying the initial public offering ("**IPO**") tax on its initial and secondary offering of its investor securities. Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, permanently repealed the IPO tax.

3. A lower creditable withholding tax rate of 1% of its receipt of income payments. It also benefits from the 50% reduction on the amount of DST due on sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest, and applicable registration and annotation fees incidental to such transfers.

Shareholders of a REIT enjoy the following tax incentives:

1. Dividends paid by a REIT to resident citizens and aliens are subject to 10% final tax. However, if the dividends are received by overseas Filipino investors, such dividends shall be exempt from the payment of income or any withholding tax. Such exemption shall be enjoyed by overseas Filipino workers for a period of seven years from the effectivity of the BIR regulations implementing the tax provisions of the REIT Act. Revenue Regulations No. 13-2011 was published in a newspaper of general circulation on July 27, 2011 and took effect fifteen (15) days after that, or on August 11, 2011.

2. In general, dividends received from a REIT shall be subject to a final tax of 10%. However, dividends received by a domestic corporation or a resident foreign corporation from REITs are not subject to income tax or withholding tax. A non-resident alien individual or a nonresident foreign corporation may claim a preferential withholding tax rate of less than 10% pursuant to an applicable tax treaty.

Applicability of Income Taxation Incentive and DST Tax Incentive

Section 11 of Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020, provides that, in order for a REIT to qualify for the income taxation incentive and the DST incentive on the transfer of real property, a REIT must be a public company, it must distribute at least 90% of its distributable income, and it must comply with its Reinvestment Plan, as certified by the Philippine SEC. The Certification from the Philippine SEC that the REIT is compliant must be submitted as an attachment to its annual income tax return and audited financial statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Conversely, for a REIT to qualify for the DST incentive on the transfer of real property, it should be listed with the PSE within two years from the date of its initial availment of the incentive (i.e., the date of the execution of the transfer documents) and maintain its listed status. While unlisted, the REIT in addition to all other presently existing requirements for the issuance of a Certificate Authorizing Registration ("**CAR**"), shall execute an undertaking that it shall list within 2 years from the date of its initial availment of the incentive.

The 50% of the applicable DST given as an incentive shall nevertheless be due and demandable together with the applicable surcharge, penalties, and interest thereon reckoned from the date such taxes should have been paid upon the occurrence of any of the following events, subject to the rule on curing period when applicable: (a) failure of a REIT to list with the PSE within 2 years from the date of its initial availment of this incentive; (b) failure of a REIT to maintain its status as a public company; (c) failure of a REIT to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the Philippine SEC; and (d) failure of a REIT to distribute at least 90% of its Distributable Income.

Revocation of Tax Incentives

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020, a REIT shall be subject to the applicable taxes, plus interests and surcharges, under the Tax Code upon the occurrence of any of the following events, subject to the rule on curing period where applicable: (a) failure of a REIT to maintain its status as a public company; (b) failure of a REIT to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the Philippine SEC; (c) failure of a REIT to distribute at least 90% of its Distributable Income; (d) failure of a REIT to list with the PSE within the two-year period from date of initial availment of DST incentive; (e) revocation or cancellation of the registration of the securities of a REIT; and (f) failure of a REIT to comply with the Reinvestment Plan as certified by the Philippine SEC and to submit the original or certified true copy of the Certification from the Philippines SEC, duly received by the BIR as an attachment to its Annual Income Tax return and Audited Financial Statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Delisting and its Tax Consequences

In the event that a REIT is delisted from the PSE, whether voluntarily or involuntarily for failure to comply with the provisions of the REIT Law or the rules of the PSE, the tax incentives granted under the REIT Law shall be *ipso facto* revoked and withdrawn as of the date the delisting becomes final and executory.

Any tax incentive that has been availed of by the REIT thereafter shall be refunded to the Government within 90 days from the date when the delisting becomes final and executory, with the applicable interests and surcharges under the Tax Code and Section 19 of the REIT Law.

Upon revocation due to delisting, an assessment notice shall be prepared to recover the deficiency income tax and DST due from a REIT. The deficiency taxes shall immediately become due and demandable and collection thereof shall be enforced in accordance with the provisions of the Tax Code.

This shall be without prejudice to the penalties to be imposed by the BIR. If the delisting is for causes highly prejudicial to the interest of the investing public such as violation of the disclosure and related party transactions of the REIT Law or insolvency of the REIT due to mismanagement or misappropriation, conversion, wastage, or dissipation of its corporate assets, the responsible persons shall refund to the REIT's investors at the time of final delisting the book value/acquisition cost of their shares.

Nationality Restriction

The Philippine Constitution and Philippine statutes set forth restrictions on foreign ownership of companies engaged in certain activities.

The ownership of private lands in the Philippines is reserved for Philippine Nationals and Philippine corporations at least 60% of whose capital stock is owned by Philippine Nationals. The prohibition is rooted in Sections 2, 3 and 7 of Article XII of the 1987 Philippine Constitution, which states that, save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations or associations qualified to acquire or hold lands of the public domain. In turn, the nationality restriction on the ownership of private lands is further underscored by Commonwealth Act No. 141 which provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Furthermore, the Foreign Investments Act and the Eleventh Regular Foreign Investment Negative List categorize the ownership of private lands as a partly-nationalized activity, such that the operation, ownership, or both thereof is partially reserved for Filipinos. Thus, landholding companies may have a maximum of 40% foreign equity.

As of the date of this REIT Plan, the Company does not own land. Nevertheless, because our Company's Articles of Incorporation authorizes the Company to acquire land, which may include land in the Philippines, foreign shareholdings in the Company may not exceed 40% of our total issued and outstanding capital stock.

Property Registration

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons. Title to registered lands cannot be lost through possession or prescription. Presidential Decree No. 1529, as amended, otherwise known as the Property Registration Decree, codified the laws relating to land registration to strengthen the Torrens system and streamline and simplify registration proceedings and the issuance of certificates of title.

After proper surveying, application, publication, service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Similarly, in an administrative proceeding, the land is granted to an applicant by DENR through issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents (i.e. homestead, sales and free patent) must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new transfer certificate of title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

Zoning and Land Use

Land use may be limited by zoning ordinances enacted by local government units. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform ("**DAR**"), land classified for agricultural purposes as of, or after, June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Local Government Code

Republic Act No. 7160, as amended, otherwise known as the Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of prosperity, and the promotion of morality, peace, good order, comfort, convenience, and general welfare for the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the LGC, the *Sangguniang Panlalawigan* (provincial council) has the power to review ordinances passed by a component city council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

Real Estate Sales on Installments

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots). Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

1. To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of installment payments made. However, the buyer may exercise this right only once every five years during the term of the contract and its extensions, if any.

2. If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five years of installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments); provided that the actual cancellation of the contract shall take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Down payments, deposits, or options on the contract shall be included in the computation of the total number of installment payments made.

In the event that the buyer has paid less than two years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Department of Human Settlements and Urban Development Act

Republic Act No. 11201, otherwise known as "Department of Human Settlements and Urban Development Act" was signed by the President on February 14, 2019. The Implementing Rules and Regulations of the Act was approved on July 19, 2019. This Act created the Department of Human Settlements and Urban Development ("**DHSUD**") through the consolidation of the Housing and Urban Development Coordinating Council ("**HUDCC**") and the Housing and Land Use Regulatory Board ("**HLURB**"), simultaneously with the reconstitution of HLURB into Human Settlement Adjudication Commission ("**HSAC**"). The functions of the HUDCC and the planning and regulatory functions of HLURB shall be transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB.

The DHSUD shall:

1. Act as the primary national government entity responsible for the management of housing, human settlement and urban development;

2. Be the sole and main planning and policy-making, regulatory, program, coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to an affordability of basic human needs. The following functions of HLURB are transferred to DHSUD:

a. The land use planning and monitoring function, including the imposition of penalties for noncompliance to ensure that LGUs will follow the planning guidelines and implement their CLUPs and ZOs;

b. The regulatory function, including the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivisions, condominiums and similar real estate developments, and imposition of fines and other administrative sanctions for violations, pursuant to PD 957, as amended, BP 220 and other related laws; and

c. The registration, regulation and supervision of Homeowners Associations, including the imposition of fines for violations, pursuant to RA 9904, Section 26 of RA 8763 in relation to Executive Order No. (EO) 535, series of 1979, and other related laws; and

d. The adjudicatory mandate of the HLURB.

3. Develop and adopt a national strategy to immediately address the provision of adequate and affordable housing to all Filipinos, and ensure the alignment of the policies, programs, and projects of all its attached agencies to facilitate the achievement of this objective.

All existing policies, and rules and regulations of the HUDCC and the HLURB shall continue to remain in full force and effect unless subsequently revoked, modified or amended by the DHSUD or the HSAC, as the case may be.

All applications for permits, licenses and other issuances pending upon the effectivity of the Act and filed during the transition period shall continue to be acted upon by the incumbents until transition shall have been completed.

All cases and appeals pending with the HLURB shall continue to be acted upon by the HLURB Arbiters and the Board of Commissioners, respectively, until transition shall have been completed and the Commission's operations are in place. Thereafter, the Regional Adjudicators and the Commission shall correspondingly assume jurisdiction over those cases and appeals. All decisions of the Commission shall henceforth be appealable to the Court of Appeals under Rule 43 of the Rules of Court.

The transition period shall commence upon the effectivity of the Implementing Rules and Regulations and shall end on December 31, 2019. Thereafter, the Act shall be in full force and effect.

Fire Code

Republic Act No. 9514, or the Fire Code of the Philippines ("**R.A. 9514**"), aims to ensure public safety and prevent and suppress all kinds of destructive fires. It provides that building owners or administrators must comply with the following:

1. Inspection requirements;

2. Safety measures for hazardous materials;

3. Safety measures for hazardous operation/processes;

4. Provision on fire safety construction, protective and warning system; and

5. Abatement of fire hazards.

In addition, R.A. 9514 provides for penalties for violation of its provisions.

Real Property Taxation

Real property taxes are payable annually based on the property's assessed value. Under the LGC, the assessed value of property and improvements vary depending on the location, use and the nature of the property. An additional special education fund tax of 1% of the assessed value of the property may also be levied annually by the local government unit. The basic real property tax and any other tax levied on real property constitute a lien on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses. Should the reasonableness or correctness of the amount assessed be questioned, a protest in writing may be filed with the treasurer of the local government unit, but the taxpayer must first pay the tax, and the tax receipts shall be annotated with the words "paid under protest."

Special Economic Zone Act

The Philippine Economic Zone Authority ("**PEZA**"), is a government corporation that operates, administers and manages designated special Ecozones around the country. Ecozones, which are generally created by proclamation of the President of the Philippines subject to the evaluation and recommendation of PEZA, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. Under R.A. No. 7916, as amended (the "**Special Economic Zone Act of 1995**"), an Ecozone enterprise, on the other hand, includes, among others, export enterprises, domestic market enterprises, pioneer enterprises, facilities enterprises, and developers or operators. Generally, enterprises registered with PEZA and PEZA facility developers and operators enjoy fiscal and non-fiscal incentives such as an income tax holiday, and duty-free importation of equipment, machinery, and raw materials. In order to avail of such incentives however, enterprises are required to comply with the obligations under the Special Economic Zone Act of 1995 as well as directives PEZA may issue and conditions stipulated in the registration. Further, there are reportorial requirements to comply with such as the submission of financial documents (Audited Financial Statements, Income Tax Returns).

An Ecozone developer or operator refers to a business entity or concern duly registered with or licensed by PEZA to develop, operate, and maintain an Ecozone or any or all of the component industrial estates, export processing zones, free trade zones, or tourist or recreational centers and the required infrastructure facilities and utilities such as light and power systems, water supply and distribution systems, sewerage and drainage systems, pollution control devices, communication facilities, paved road networks, administration buildings, and other facilities as may be required by PEZA. An Ecozone developer or operator may be an information technology park developer or operator, among other types of developers or operators.

FOREIGN INVESTMENT LAWS AND RESTRICTIONS

Foreign Investments Act of 1991

Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991 ("**Foreign Investments Act**"), liberalized the entry of foreign investment into the Philippines. As a general rule, there are no restrictions on the extent of foreign ownership of export enterprises. In domestic market enterprises, foreigners can invest as much as one hundred percent (100%) equity except in areas included in the Foreign Investment Negative List.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the Foreign Investments Act as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a Philippine National. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Land Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to RA No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) original certificate of inward remittance of foreign exchange and its conversion into Philippine Pesos through an authorized agent bank in the prescribed format; and (iii) authority to disclose ("**Authority to Disclose**") in the prescribed format. The Authority to Disclose allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("**BSRD**") or BSRD Letter-Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

LABOR AND EMPLOYMENT

Labor Code of the Philippines

The Department of Labor and Employment ("**DOLE**") is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines ("**Labor Code**") and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

On March 15, 2017, Department Order No. 174 (2017) ("**D.O. 174**") was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-only Contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

Occupational Safety and Health Standards Law

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

PHILIPPINE COMPETITION ACT

Republic Act. No. 10667, or the Philippine Competition Act ("**PCA**"), is the primary competition policy of the Philippines. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

(1) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

(2) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and

(3) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the Implementing Rules and Regulations ("**PCA IRR**") without notice to the PCC.

On February 21, 2019, the PCC issued PCC Advisory No. 2019-001, effective March 1, 2019, amending the PCA IRR. It increased the thresholds to ₱5.6 billion for the Size of Person and ₱2.2 billion for the Size of Transaction, as defined in the PCA IRR. Under the Advisory, as to joint venture transactions, notification is mandatory if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. The revised thresholds under PCC Advisory No. 2019-001 shall not apply to mergers or acquisitions pending review by the PCC; notifiable transactions consummated before the effectivity of PCC Advisory 2019-001 (i.e. March 1, 2019); and, transactions which are already subject of a decision by the PCC.

On November 22, 2017, the PCC published the 2017 Rules on Merger Procedures ("**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the Philippine Competition Act. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to the notifiable merger.

Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the **PCC** or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Section 4(eee) of Republic Act No. 11494 or the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50 billion if entered into within two years from the effectivity of Bayanihan 2 Act, or from September 15, 2020.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when:

(a) both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and

(b) the transaction is entered into prior to the effectivity of the Bayanihan 2 Act and exceeds the thresholds applicable.

Additionally, the Bayanihan Act 2 suspends PCC's power to *motu proprio* review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions *motu proprio*. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC *motu proprio* after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

REVISED CORPORATION CODE

Republic Act No. 11232 or the Revised Corporation Code ("**Revised Corporation Code**") was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

- corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- the Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only a natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an **OPC**, unless provided for under special laws.

- material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- the right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia,* the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and

- in case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

ENVIRONMENTAL LAWS

Environmental Impact Statement System

Real estate development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("**ECC**") prior to commencement. The Department of Environment and Natural Resources ("**DENR**"), through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("**EIS**") to the EMB, which is a result of a positive determination by the EMB on the preventive, mitigating and enhancement measures adopted addressing possible adverse consequences of the project to the environment. The EIS refers to the document, prepared and submitted by the project proponent and/or the Environmental Impact Assessment Consultant which provides for a comprehensive study of the significant impacts of a project to the environment. On the other hand, a non-environmentally critical project in an environmentally critical area is generally required to submit an Initial Environmental Examination (the "**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required in addition to the IEE.

The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas. While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socioeconomic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC.

The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the abandonment phase of the project. Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures.

DATA PRIVACY LAWS

Data Privacy Act

RA No. 10173, otherwise known as the Data Privacy Act of 2012 (the "**DPA**"), was signed into law on August 15, 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the Anti-Money Laundering Act and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of "personal information," which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors." It also provides for penal and monetary sanctions for violations of its provisions.

PRINCIPAL AND SELLING SHAREHOLDER

We have eight shareholders as of the date of this REIT Plan, as follows:

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed (₱)	Amount Paid-up (₱)	Percentage of Ownership
1	Megaworld Corporation	Filipino	2,522,120,381	50,442,407,620.0	2,522,120,381.0	99.6%
2	Kevin Andrew L. Tan	Filipino	9,995,000	9, 995,000.0	9,995,000.0	0.4%
3	Francisco C. Canuto	Filipino	1,000	1,000.0	1,000.0	Nil
4	Katherine L. Tan	Filipino	1,000	1,000.0	1,000.0	Nil
5	Lourdes T. Gutierrez-Alfonso	Filipino	1,000	1,000.0	1,000.0	Nil
6	Jesus B. Varela	Filipino	1,000	1,000.0	1,000.0	Nil
7	Sergio R. Ortiz-Luis, Jr.	Filipino	1,000	1,000.0	1,000.0	Nil
8	Antonio E. Llantada, Jr.	Filipino	1,000	1,000.0	1,000.0	Nil
	TOTAL		**2,532,121,381**	**50,452,408,620.0**	**2,532,121,381.0**	**100%**

PSE LOCK-UP REQUIREMENT

Under the PSE Consolidated Listing and Disclosure Rules, an applicant company shall cause its existing shareholders who own an equivalent of at least ten percent (10%) of the issued and outstanding shares of stock of the company to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

- 180 days after the listing of said shares if the applicant company meets the track record requirements in Section 1, Article III, Part D of the PSE Consolidated Listing and Disclosure Rules; or

- 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Consolidated Listing and Disclosure Rules.

The following shall be subject to the 365-day lock-up period from Listing Date:

Shareholder	No. of Shares Subject to 365-day Lock-up Period from Listing Date
Megaworld Corporation	1,677,820,381 Shares

Assuming the Overallotment Option is fully exercised:

Shareholder	No. of Shares Subject to 365-day Lock-up Period from Listing Date
Megaworld Corporation	1,572,282,881 Shares

If there is any issuance or transfer of shares (i.e. private placement, asset for share swap or a similar transaction) or of instruments which leads to an issuance or transfer of shares (i.e. convertible bonds, warrants, or similar instrument) done and fully paid for within 180 days prior to the start of the offering period, or, prior to the listing date in the case of applicant companies by way of introduction, and the transaction price is lower than that of the offer price in the initial public offering or than that of the listing price in the case of applicant companies listing by way of introduction, all shares availed of shall be subject to a lock-up period of at least 365 days from the full payment of the aforesaid shares.

The following are covered by the 365-day lock-up from full payment of the Shares requirement:

Shareholder	No. of Shares Subject to 365-day Lock-up Period
Jesus B. Varela(1)	1,000 Shares
Sergio R. Ortiz Luis, Jr.(1)	1,000 Shares
Katherine L. Tan	1,000 Shares
Antonio E. Llantada, Jr(1)	1,000 Shares

Note: (1) Qualifying Shares issued to our independent directors.

To implement the lock-up requirement, we and the foregoing shareholders shall enter into an escrow agreement with BDO Unibank, Inc. – Trust and Investments Group.

THE SELLING SHAREHOLDER

The following table below sets forth, for the Selling Shareholder, the number of Shares and percentage of outstanding shares held before the Offer, the maximum number of Shares to be sold in the Offer and the number of shares and percentage of outstanding shares owned immediately after the Offer:

Selling Shareholder	Shareholdings before the Offer	% of Shares Out-standing before the Offer	Maximum Number of Shares to be Sold	Shareholdings following completion of the Offer	% of Shares Outstanding following completion of the Offer	Shareholdings following completion of the Offer assuming Full Exercise of the Overallotment Option	% of Shares Outstanding following completion of the Offer assuming Full Exercise of the Overallotment Option
Megaworld	2,522,120,381	99.6%	949,837,500	1,677,820,381	66.3%	1,572,282,881	62.1%

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of the date of this REIT Plan, the following are the owners of our common stock in excess of 5% of total issued and outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common shares	Megaworld Corporation 30th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City Sponsor	Alliance Global Group, Inc.	Filipino	2,522,120,381	99.6%

SECURITY OWNERSHIP OF MANAGEMENT

As of the date of this REIT Plan, the following are the shareholdings of our Senior Management:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership	Percentage of Ownership
Common shares	Kevin Andrew L. Tan	President and Chief Executive Officer	Filipino	9,995,000.0	99.6%
Common shares	Francisco C. Canuto	Chairman of the Board	Filipino	1,000.0	Nil

Common shares	Katherine L. Tan	Director	Filipino	1,000.0	Nil
Common shares	Lourdes T. Gutierrez	Director	Filipino	1,000.0	Nil
Common shares	Jesus B. Varela	Independent Director	Filipino	1,000.0	Nil
Common shares	Sergio R. Ortiz-Luis, Jr.	Independent Director	Filipino	1,000.0	Nil
Common shares	Antonio E. Llantada, Jr.	Independent Director	Filipino	1,000.0	Nil

Except for the foregoing, no other members of the Board or Senior Management own any shares in the Company.

VOTING TRUST HOLDERS OF 5% OR MORE

As of the date of this REIT Plan, we are not aware of any person holding more than 5.0% of a class of our shares under a voting trust or similar agreement.

CHANGE IN CONTROL

There has been no change in the control of the Company since it was incorporated.

RELATED PARTY TRANSACTIONS

Related Party Transactions and the REIT Law

Under the provisions of the REIT Law, a related party is defined to include:

- a director; the chairman of the board of directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment, officer and their equivalent positions, including consultants with similar rank or position (the "**Principal Officer**"); or a stockholder who is, directly or indirectly, the beneficial owner of more than ten percent of any class of the REIT's shares (a "**Principal Stockholder**"); or an associate of such persons;

- the sponsor or promoter of the REIT, meaning any person who, acting alone or in conjunction with one or more other persons, directly or indirectly, contributes cash or property in establishing the REIT;

- the fund manager of the REIT, meaning any person who manages the functions of the REIT;

- any adviser of the REIT, meaning a lawyer, accountant, auditor, financial or business consultant, and such other persons rendering professional advisory services to the REIT;

- the property manager of the REIT, meaning a professional administrator of real properties who is engaged by the REIT to provide the property management services;

- a director, Principal Stockholder or Principal Officer of the sponsor/promoter of the REIT, fund manager, property manager, or associate of the any such persons;

- parent, subsidiary or affiliate to the REIT, the fund manager or the property manager; and

- any person who holds legal title to the shares of the REIT for the benefit of another for the purpose of circumventing the provisions of the REIT Law.

(collectively, "**Related Parties**")

Any contract or amendment thereto, between the REIT and any related party, as described above, including contracts for services, shall comply with the following minimum requirements:

- the REIT must fully, fairly, timely, and accurately disclose the identity of the Related Party or Parties, their relationship with the REIT, and other important terms and conditions of the transaction to the PSE and the Philippine SEC;

- the contract must be on fair reasonable terms, including the contract price;

- the contract must be approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT;

- the contract must be approved by the related party transactions committee which is constituted with the sole task of reviewing related party transactions. Majority of its members must be independent directors who shall vote unanimously in approving such related party transaction;

- the REIT must comply with Philippine SEC Memorandum Circular No. 10 series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies, or such other relevant regulations that may be issued by the Philippine SEC;

- the contract must be accompanied by a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the Philippine SEC, in the case of an acquisition or disposition of real estate assets and property or share swaps or similar transactions; and

- the REIT must also disclose any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in the REIT.

Related Party Transactions and Philippine SEC Regulation

The Philippine SEC likewise issued Memorandum Circular No. 10, Series of 2019, which took effect on April 27, 2019 (the "**Circular**"). Under this Circular, related party transactions, either individually or in aggregate over a twelve-month period, amounting to at least 10% of a company's total assets shall be considered as a material related party transaction ("**Material RPT**"). The Philippine SEC likewise included in the relevant definition of "related parties" directors, officers, substantial shareholders, and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control or significant influence over the reporting publicly-listed company.

Some of the new and pertinent rules provided in the Circular are as follows:

- newly listed companies shall submit their Material RPT policy within six months from their listing date, which policy must be consistent with the Circular. The Material RPT Policy shall be signed by the company's chairman and compliance officer;

- the board of directors shall adopt a group-wide Material RPT policy encompassing all entities within the conglomerate, taking into account its size, structure, risk profile, and complexity of operations;

- the Material RPT policy shall include, at a minimum: identification of related parties, coverage of Material RPT, adjusted thresholds, identification and prevention or management of potential or actual conflicts of interests arising out of or in connection with the Material RPT, guidelines in ensuring arm's length terms, approval of Material RPT, self-assessment and periodic review of policy, disclosure requirements, whistleblowing mechanisms, and remedies for abusive Material RPT;

- the approval of Material RPT shall be by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the Material RPT. If the majority vote of independent directors is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock of the company. The same board approval shall be secured for aggregate related party transactions within a twelve-month period that breaches the 10% materiality threshold covering the same related party;

- an Advisement Report on Material RPT shall be submitted to the Philippine SEC within three calendar days after the execution date of the transaction; and

- a summary of Material RPT for the reporting year shall be disclosed in the Integrated Annual Corporate Governance Report annually every May 30.

Our Existing Related Party Transactions

In the ordinary course of business, we enter into various transactions with related parties and affiliates, principally consisting of leases of commercial space, advances and purchases and sales of goods and services. Our policy is to settle intercompany receivables and payable on a net basis. Transactions entered with related parties are made at terms equivalent to those that prevail in arm's length transactions on terms comparable to those available from or to unrelated third parties, as the case may be. Outstanding balances owed to related parties at a certain reporting date are non-interest bearing, unsecured and payable/collectible in cash on demand.

We have the following significant transactions with related parties:

Related Parties	Nature of Transaction	Value of the Transaction
Megaworld Corporation	Land Lease for 10 Properties	From July 1, 2023 to June 30, 2025, our Company (as a lessee) shall pay the Sponsor (as a lessor) rent equivalent to:

		a. 2.5% of gross rental income for office properties; b. 2.5% of gross retail revenues for retail and other properties; and, c. 1.5% of hotel rental/revenues for hotel properties. From July 1, 2025 onwards, our Company (as a lessee) shall pay the Sponsor (as a lessor) rent equivalent to: a. 5% of gross rental income for office properties; b. 5% of gross retail revenues for retail and retail and other properties; and, c. 3% of hotel rental/revenues for hotel properties.[28]
Megaworld Corporation	Deed of Assignment of Lease	Lease revenues and payments consisting of payment for rental, taxes, utilities, association dues, other assessments
Megaworld Corporation	Amended and Restated Contract of Lease	Lease rental equivalent to (a) Year 1 to 11 - Four Million Seven Hundred Thousand Pesos (₱4,700,000.00) per month; and, (b) Year 12 to 25 - Three Million Pesos (₱3,000,000.00) plus 5% of the Gross Rooms Rental Revenue per month (each, exclusive of VAT, DST and other taxes which shall be borne by the Sponsor)[29]
MREIT Fund Managers, Inc.	Fund Management Agreement	Three and one half percent (3.5%) of MREIT's Gross Revenue, exclusive of value-added taxes. However, the Fund Management Fee shall not exceed one percent (1%) of the Net Asset Value of the properties under management.
MREIT Property Managers, Inc.	Property Management Agreement	Two percent (2%) of MREIT's Gross Revenue, exclusive of value-added taxes. However, the Property Management Fee shall not exceed one percent (1%) of the Net Asset Value of the Properties under its management.
Megaworld Corporation	License Agreement for Iloilo Business Park Trademark under Registration No. 4/2007/00012041	One Peso (₱1.00)
Megaworld Corporation	License Agreement for McKinley Hill Trademark under Registration No. 4/2003/00008201	One Peso (₱1.00)
Megaworld Corporation	Memorandum of Understanding	To Be Determined

For more information on volume and amounts outstanding, see Note 13 to our audited combined carve-out financial statements as of and for the years ended June 30, 2020, 2019, 2018 and 2017, and Note 13 to our audited combined carve-out interim financial statements as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020.

[28] June 7, 2021 Addendum to Lease Contract.

[29] June 11, 2021 Amended and Restated Contract of Lease.

Future Related Party Transactions

As a REIT listed on the PSE, our Company will be regulated by the rules and regulations of the Philippine SEC as well as the Listing Rules and other regulations of the PSE. These rules and regulations, along with the REIT Law, regulate transactions entered into by us with related parties with respect to the our acquisition of assets from or sale of assets to a related party, our investment in securities of or issued by a related party, and the engagement of a related party as a property management agent or marketing agent for our properties. Depending on the materiality of transactions entered into by us for the acquisition of assets from the sale of assets to or the investment in securities of or issued by, a related party, the rules described above may require us to announce such a transaction to the Philippine SEC and the PSE and may also require the approval of the Shareholders to be obtained.

Subject to compliance with the applicable requirements, our Company will not be prohibited by the rules of the Philippine SEC, the PSE, or the REIT Law from contracting or entering into any financial, banking, or any other type of transaction with a related party or from being interested in any such contract or transaction, provided that any such transaction shall be on normal, arm's length commercial terms and is not prejudicial to the interests of the Company and the Shareholders. See "*The Fund Manager and the Property Manager—Related Party Transactions.*"

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the International Bookrunners, the Domestic Underwriters, nor any of their respective subsidiaries, affiliates or advisors in connection with sale of the Offer Shares.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulatory, governed by its respective board of governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

In June 1998, the Philippine SEC granted the PSE "Self-Regulatory Organization" status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization and converted from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱120 million. As of June 30, 2020, PSE had 85,164,091 issued shares, of which 3,513,954 are treasury shares, resulting in 81,650,137 total shares outstanding. Each of the then 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member-broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE board of governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president of the PSE. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging ("**SME**") Board. In 2013, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the SME Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the Company. Each index represents the numerical average of the prices of component stocks.

The PSE has a benchmark index, referred to as the PSEi, which, as of the date thereof, reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective as of April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of 30 selected stocks listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

In December 2013, the PSE Electronic Disclosure Generation Technology ("**EDGe**"), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

Furthermore, the PSE launched its Corporate Governance Guidebook in November 2010 to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

The table below indicates the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	263	13,650.0	1,510.0
2016	6,840.6	268	14,438.8	1,776.3
2017	8,558.4	273	17,583.1	3,596.9
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	271	16,710.0	1,770.0
2020	7,139.7	271	15,888.9	1,770.9

Source: PSE and PSE Annual Reports.

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 noon for the morning session. It resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Mondays to Fridays, except legal and special holidays, days when the BSP clearing house is closed and such other days as may be declared by the Philippine SEC or the PSE, to be a non-trading day.

Beginning on March 15, 2020, the PSE, in observance of the government's implementation of the community quarantine in parts of the country including Metro Manila due to the COVID-19 pandemic, has implemented shortened trading hours starting at 9:30 and ending at 1:00 pm. The shortened trading hours are still being implemented as of the date of this REIT Plan.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the corporation or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the subject corporation fails to submit such an explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the subject corporation is disseminated, subject again to the trading ban.

In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- in the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such an order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE;

- in the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such an order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a certificate of registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (a) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE trading participants; (b) guaranteeing the settlement of trades in the event of a PSE trading participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund, and; (c) performing risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after the transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the Philippine Depository and Trust Corp. (formerly the Philippine Central Depository, Inc.) ("**PDTC**"). Each PSE trading participant maintains a cash settlement account with one of the nine existing settlement banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank AG Manila Branch, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited and Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker-level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

SCRIPLESS TRADING

In 1995, the PDTC, was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, RCBC, Metrobank, DB, Unionbank, HSBC and Maybank.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation ("**PCD Nominee**") whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. On the other hand, immobilization is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Company's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must execute the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

AMENDED RULE ON LODGMENT OF SECURITIES

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

In addition to the foregoing, the PSE also apprised all listed companies and market participants through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the Philippine SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- the offer shares/securities of the applicant company in the case of an initial public offering;

- the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;

- new securities to be offered and applied for listing by an existing listed company; and additional listing of securities of an existing listed company; and

- additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

- for a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a registry confirmation advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date;

- for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice, the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancelation. The transfer agent shall issue a registry confirmation advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a registry confirmation advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

On December 1, 2017, the Philippine SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("**SEC MC 13-2017**") on the rules and regulations on minimum public ownership ("**MPO**") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) purpose of investment; and (c) extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investors are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies are required to establish and implement an internal policy and procedure to monitor its MPO and shall immediately report to the Philippine SEC within the next business day if its MPO has fallen below 20%. Listed companies shall submit to the Philippine SEC within ten days after knowledge about the deficiency in its MPO, a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from the date of such decline. Listed companies shall submit to the Philippine SEC a public ownership report and progress report on submitted business plan within 15 days after the end of each month until such time that its MPO reaches the required level.

The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these requirements shall subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the Philippine SEC.

On August 4, 2020, the PSE issued Guidelines on MPO Requirement for Initial and Backdoor Listings, effective immediately. Under the guidelines, companies applying for initial listing through an IPO are required to have a minimum public offer size of 20% to 33% of its outstanding capital stock, as follows:

Market Capitalization	**Minimum Public Offer**
Not exceeding ₱500M	33% or ₱50M, whichever is higher
Over ₱500M to ₱1B	25% or ₱100M, whichever is higher
Over ₱1B	20% or ₱250M, whichever is higher

A company listing through an IPO is required to maintain at least 20% public ownership level at all times, whether the listing is initial or through backdoor listing. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business.

Under Section 8.1 of the REIT Law and Section 5.1(a) of the Revised REIT IRR, a REIT must be a public company. It is required to maintain its status as a listed company and upon and after listing, have at least 1,000

Public Shareholders each owning at least 50 shares of any class of shares, and who, in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT. Failure to maintain the public ownership requirement will result in the imposition of a trading suspension for a period not more than six months. If the REIT still fails to comply with the public ownership requirement within the six-month period, it will be automatically delisted.

Scripless Shares

The Revised REIT IRR provides that all the shares of a REIT shall be in uncertificated form. The REIT is required to engage a duly licensed transfer agent to monitor subsequent transfer of the shares. The transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors for their own benefit and not for the benefit of any non-Public Shareholders. The REIT shall make the necessary arrangement with a central securities depository on the recording of its shareholders under a Name-On Central Depository arrangement.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this REIT Plan and is subject to any changes occurring after such date. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "*resident alien*" *refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A* "*non-resident alien*" *is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a* "*non-resident alien engaged in trade or business in the Philippines;*" *otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a* "*non-resident alien not engaged in trade or business in the Philippines.*" *A* "*domestic corporation*" *is created or organized under the laws of the Philippines; a* "*resident foreign corporation*" *is a non-Philippine corporation engaged in trade or business in the Philippines; and a* "*non-resident foreign corporation*" *is a non-Philippine corporation not engaged in trade or business in the Philippines. The term* "*non-resident holder*" *means a holder of the Shares:*

- *who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*

- *should an income tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took effect. The TRAIN Law amended various provisions of the Philippine Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. On March 26, 2021, the second package of the Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (the "**CREATE Law**") was signed into law. The CREATE Law amended various provisions of the Philippine Tax Code covering corporate income tax.

IPO TAX

Republic Act No. 11494, otherwise known as the Bayanihan to Recover As One Act, took effect on September 15, 2020. Section 6 of this law repealed Section 127(B) of the Philippine Tax Code on the IPO Tax. As such, the Offer is not subject to the IPO Tax.

Under Revenue Regulations No. 23-2020 issued by the BIR, tax on shares of stocks sold, bartered, exchanged or other disposition through IPO provided under Section 127(B) of the Philippine Tax Code is repealed. Every sale, barter, exchange or other disposition through IPO of shares of stock in closely held corporations shall no longer be subject to IPO Tax.

Corporate Income Tax

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction ("**OSD**") equivalent to an amount not exceeding 40% of the corporation's gross income.

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 03-2020 and by the CREATE Law, a REIT shall be taxable on all income derived from sources within and without the Philippines at the applicable income tax rate of 25% as provided under Section 27(A) of the Tax Code, on its taxable net income as defined in the REIT Law and Revenue Regulations No. 13-2011, as amended, provided, that in no case shall it be subject to minimum corporate income tax.

Under the REIT Law, taxable net income means the pertinent items of gross income specified in Section 32 of the Tax Code less (a) all allowable deductions enumerated in Section 34 of the Tax Code (itemized or optional standard deductions) and (b) the dividends distributed by a REIT out of its own Distributable Income as of the end of the taxable year as (i) dividends to owners of the Shares and (ii) dividends to owners of the preferred shares pursuant to their rights and limitations specified in the Articles of Incorporation of the REIT. Furthermore, for purposes of computing the taxable net income of a REIT, the dividends allowed as deductions during the taxable year pertain to dividends actually distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth month from the close of the taxable year. Dividends distributed within this prescribed period shall be considered as paid on the last day of REIT's taxable year.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax. After June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

SALE, EXCHANGE OR DISPOSITION OF SHARES AFTER THE IPO

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. A value-added tax ("**VAT**") of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client, the seller or transferor. The stock transaction tax is classified as a percentage tax and is paid in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership ("**MPO**") which requires listed companies to maintain a minimum percentage of listed securities held by the public of the listed companies issued and outstanding shares at all times.

Under the REIT Law, a REIT must be a public company and to be considered as such, a REIT, must: (a) maintain its status as a listed company; and (b) upon and after listing, have at least one thousand (1,000) public shareholders each owning at least fifty (50) shares of any class of shares who in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT or subject to 33.33% MPO.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax, documentary stamp tax, and possibly donor's tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor's tax under Section 100 of the Tax Code.) Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 ("**R.R. 16-12**") provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Capital Gains Tax, if the Sale Was Made Outside the PSE

Pursuant to the TRAIN Law and CREATE Law, the net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, a domestic corporation (other than a dealer in securities), a resident foreign corporation, or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.)

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration ("**CAR**"), certifying that capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax, or other conditions have been met.

Tax on Dividends

In general, dividends received from a REIT shall be subject to a final tax of 10%. However, dividends received by a domestic corporation or a resident foreign corporation from REITs are not subject to income tax or withholding tax. A non-resident alien individual or a non-resident foreign corporation may claim a preferential withholding tax rate of less than 10% pursuant to an applicable tax treaty in force between the Philippines and the country of domicile of the non-resident holder.

Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR has issued Revenue Memorandum Order No. 14-2021 ("**RMO No. 14-2021**") to streamline the procedures and documents for the availment of treaty benefits covering all items of income, including dividends, derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty. Under this regulation, when the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with the International Tax Affairs Division ("**ITAD**") of the BIR a request for confirmation on the propriety of the withholding tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a tax treaty relief application ("**TTRA**") with ITAD. The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year. The request for confirmation or TTRA shall be supported by the documentary requirements under RMO No. 14-2021.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a non-resident holder of the company's shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

The claim for refund may be filed independently of, or simultaneously with, the TTRA. If the claim was not filed simultaneously with the TTRA, the office where it was filed shall coordinate with, and defer to, ITAD the resolution of the non-resident's entitlement to treaty benefit. If, on the other hand, the claim was filed simultaneously with the TTRA, it shall be the responsibility of the ITAD to endorse the claim for refund to the proper office that handles the processing of tax refunds after the resolution of the TTRA. At any rate, all issues relating to the application and implementation of treaty provisions shall fall within the exclusive jurisdiction of the ITAD.

Transfer taxes (e.g., VAT on deemed sale, DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all the shareholders of the corporation are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) stock transaction tax, if the transfer is through a local stock exchange, or (b) capital gains tax and DST, if otherwise.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)[9]	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

Notes:

(1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.

(4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.

(6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.

(10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

(11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.

(12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

Documentary Stamp Tax

The original issue of shares is subject to a documentary stamp tax ("**DST**") of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares outside the PSE is subject to DST at the rate of ₱1.50 on each ₱200.00, or a fractional part thereof, of the par value of the shares.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by either or both the vendor or the vendee of the shares.

However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from documentary stamp tax.

Estate and Donor's Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation, even if made by a non-resident or donor outside the Philippines, is subject to Philippine estate and donor's tax.

The transfer of shares of stock upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, shall be subject to an estate tax which is levied on the net estate of the deceased at the rate of 6%. An Investor shall be subject to donor's tax at the rate of 6% based on the total net gifts (such as shares of stock) in excess of ₱250,000.00 made during a calendar year, regardless of the relationship (by blood or by affinity) between the donor and the donee.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock:

(1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer

tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or

(2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Shares exceeded the value of the consideration may be deemed a gift, and a donor's tax may be imposed on the transferor of the Shares, based on Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donor's tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This REIT Plan does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

PLAN OF DISTRIBUTION

At least 591,010,000 Institutional Offer Shares, or 70% of the Firm Shares, are (subject to re-allocation as described below) being offered for sale (i) outside the United States by the International Bookrunners in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to Domestic QIBs in the Philippines by the Domestic Underwriters (the "**Institutional Offer**").

253,290,000 Trading Participants and Retail Offer Shares, or 30% of the Firm Shares, are (subject to re-allocation as described below) being offered by the Domestic Underwriters at the Offer Price to all of the Eligible PSE Trading Participants and LSIs in the Philippines (the "**Trading Participants and Retail Offer**"). The number of Offer Shares to be made available to the Eligible PSE Trading Participants and LSIs will be 168,860,000 Firm Shares and 84,430,000 Firm Shares, respectively, or 20% and 10%, respectively, of the Firm Shares, subject to final allocation as may be determined by the Joint Global Coordinators and Joint Bookrunners.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Joint Global Coordinators and Joint Bookrunners. The International Bookrunners and Domestic Underwriters will underwrite, on a firm commitment basis, the Firm Shares, subject to any reallocation, clawback, clawforward or any other such mechanisms as described below. There is no arrangement for any of the International Bookrunners and Domestic Underwriters to return any of the Offer Shares relating to the Trading Participants and Retail Offer or the Institutional Offer to the Company or the Selling Shareholder. Notwithstanding the International Bookrunners being named in this REIT Plan, offers or sales by the International Bookrunners of Offer Shares outside the Philippines are not governed by Philippine laws.

THE JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Roles and Responsibilities

The Joint Global Coordinators and Joint Bookrunners are responsible for the coordination of the various execution workstreams relating to the Offer. The Joint Global Coordinators and Joint Bookrunners are assisting the Company and the Selling Shareholder in the book-building process, which includes marketing and allocation of the Offer to potential investors as described in this Plan of Distribution.

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Domestic Underwriters to all of the Eligible PSE Trading Participants and LSIs in the Philippines. The Domestic Underwriters have undertaken to underwrite the Trading Participants and Retail Offer on a firm commitment basis.

The Domestic Underwriters and their respective affiliates have engaged in transactions with, and have performed various investment banking, commercial banking and other services for the Company's Affiliates and the Selling Shareholder in the past, and may do so for the Company, the Selling Shareholder and their respective subsidiaries and affiliates from time to time in the future. However, all services provided by the Domestic Underwriters including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Company or the Selling Shareholder. The Domestic Underwriters do not have any right to designate or nominate a member of the Board. The Domestic Underwriters have no direct relationship with the Company in terms of share ownership and, other than as Domestic Underwriters for the Offer, does not have any material relationship with the Company or the Selling Shareholder.

The International Bookrunners and their respective affiliates have, from time to time, engaged in, and may in the future engage in, investment banking, financing, private banking, commercial banking or financial consulting activities and other commercial dealings in the ordinary course of business with the Company, the Selling Shareholder or their respective affiliates. The International Bookrunners have received and expect to continue to receive customary fees and commissions for these activities and dealings. In addition, in the ordinary course of business, the International Bookrunners and their respective affiliates may trade the Company's securities or the securities of the Company's affiliates or derivatives relating to the foregoing securities for its or its affiliates' own account or for the accounts of customers, and may at any time hold a long or short position in such securities.

The International Bookrunners and the Domestic Underwriters will receive underwriting and selling fees from the Selling Shareholder of up to 2.25% of the gross proceeds from the sale of the Offer Shares. This underwriting and selling fee is exclusive of the amounts to be paid to selling agents by the Selling Shareholder such as Eligible PSE Trading Participants, where applicable. The estimated underwriting, selling and Trading Participant ("**TP**") fees amount to approximately ₱371.3 million, assuming that the Overallotment Option is fully exercised. The estimated underwriting, selling and TP fees amount to approximately ₱333.0 million, assuming that the Overallotment Option is not exercised.

Joint Global Coordinator and Joint Bookrunner and Domestic Lead Underwriter

BDO Capital is the wholly owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999. It obtained its license to operate as an investment house in 1998 and is licensed by the Philippine SEC to engage in underwriting and distribution of securities to the public. As of December 31, 2020, it had ₱4.40 billion and ₱4.10 billion in assets and capital, respectively. It has an authorized capital stock of ₱1.10 billion, of which approximately ₱1.00 billion represents its paid-up capital.

Joint Global Coordinators and Joint Bookrunners and International Bookrunners

Credit Suisse (Singapore) Limited ("**CSSL**"), among other things, offers a broad range of investment banking services to corporations, financial institutions, financial sponsors and ultra-high-net-worth individuals and sovereign clients. CSSL's range of products and services includes advisory services related to mergers and acquisitions, divestitures, takeover defense mandates, business restructurings and spin-offs. CSSL also engages in debt and equity underwriting of public securities offerings and private placements.

DBS Bank Ltd. ("**DBS**") is a leading financial services group in Asia with a presence in 18 markets. Headquartered and listed in Singapore, DBS provides a full range of services in consumer, SME and corporate banking. DBS provides businesses with access to capital through its product platform, including private and public equity fund raisings.

International Bookrunner

CLSA Limited ("**CLSA**"), CITIC Securities' international platform, provides global investors and corporates with insights, liquidity and capital to drive their growth strategies. Award-winning research, an extensive Asia footprint, direct links to China and highly experienced finance professionals differentiate its innovative products and services in asset management, corporate finance, equity and debt capital markets, securities and wealth management.

Domestic Co-Lead Underwriters

First Metro Investment Corporation ("**First Metro**") is a leading investment bank in the Philippines with fifty-eight years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country, and is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has earned a solid reputation for its creativity, innovation, and timely execution. It has proven its ability to create value and opportunities as well as provide solutions that are pioneering, game changing, and responsive to the needs of both issuers and investors.

Investment & Capital Corporation of the Philippines ("**ICCP**") is an independent Investment House that provides a complete line and scope of investment banking services focused on debt capital market (DCM), and equity capital market (ECM), financial advisory, mergers & acquisitions, and project development. DBS owns a 20% stake in ICCP. ICCP obtained its license to operate as an Investment House from the Philippine SEC in 1988, and is licensed to engage in underwriting and distribution of securities to the public.

RCBC Capital Corporation ("**RCBC Capital**") is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 47 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates.

SB Capital Investment Corporation ("**SB Capital**") is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including underwriting of debt and equity securities, project finance, loan syndications, mergers and acquisitions, and other corporate / financial advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major debt and equity issues.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Domestic Underwriters, to all of the Eligible PSE Trading Participants and LSIs in the Philippines. 168,860,000 Trading Participants and Retail Offer Shares, or 20% of the Firm Shares, shall be allocated among the Eligible PSE Trading Participants. Each Eligible PSE Trading Participant shall initially be allocated 1,372,800 Firm Shares and subject to reallocation as may be determined by the Domestic Lead Underwriter. Based on the initial allocation for each Eligible PSE Trading Participant, there will be a total of 5,600 residual Firm Shares to be allocated as may be determined by the Domestic Lead Underwriter. A total of 84,430,000 Trading Participants and Retail Offer Shares, or 10% of the Firm Shares, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or "PSE EASy." An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱1,000,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 100 Shares or ₱1,610.00 while the maximum subscription shall be 62,100 Shares or up to ₱999,810.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Offer Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Domestic Lead Underwriter shall prioritize subscriptions of small investors with amounts lower than the maximum subscription.

Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the Eligible PSE Trading Participants and the LSIs shall be distributed by each of the Domestic Underwriters to its clients or the general public in the Philippines or as otherwise agreed with the International Bookrunners. The Domestic Lead Underwriter shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer, or otherwise not taken up by the Eligible PSE Trading Participants, clients of the Domestic Lead Underwriter or the general public in the Philippines, pursuant to the terms and conditions of the Domestic Underwriting Agreement (as defined below). Nothing herein or in the Domestic Underwriting Agreement shall limit the rights of each of the Domestic Underwriters from purchasing the Offer Shares for its own account.

To facilitate the Trading Participants and Retail Offer, the Company and the Selling Shareholder have appointed BDO Capital & Investment Corporation, to act as the Domestic Lead Underwriter, and First Metro Investment Corporation, Investment & Capital Corporation of the Philippines, RCBC Capital Corporation and SB Capital Investment Corporation as the Domestic Co-Lead Underwriters.

On or before 12:00 p.m. on September 20, 2021, the Eligible PSE Trading Participants shall submit to the Domestic Receiving Agent their respective Application and other required documents therein from the Trading Participants and Retail Offer Shares.

For LSI applicants, applications shall be done via the PSE Electronic Allocation System or "PSE EASy" (https://easy.pse.com.ph/). LSI applications shall be processed on a first come, first served basis, while the final share allocation shall be determined through a distribution mechanism wherein fully paid applications will be allocated in ascending order (i.e. from the lowest to the highest), and upon the Domestic Receiving Agent's validation or confirmation of complete payment of the purchased shares. Multiple applications (i.e. two or more applications by the same LSI applicant) will not be allowed.

The procedure in subscribing to the Offer Shares via "PSE EASy" shall be described in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Domestic Lead Underwriter shall prioritize subscriptions of small investors with amounts lower than the maximum subscription.

An LSI applicant should nominate in the Application the Eligible PSE Trading Participant through which its shares will be lodged. Otherwise, the Application shall not be accepted.

For more details on the Procedure for Application for the Offer, please refer to the Offer Implementing Guidelines.

An application to purchase the Trading Participants and Retail Offer Shares shall not be deemed as a duly accomplished and completed application unless submitted with all required relevant information and applicable supporting documents to the Domestic Receiving Agent or such other financial institutions that may be invited to manage the LSI program. Payment for the Trading Participants and Retail Offer Shares may be made using any of the modes of payment indicated in the Company's Offer Implementing Guidelines for LSIs following the payment instructions generated through PSE EASy. LSI applicants may check the status of their subscription applications through their PSE EASy investor accounts.

Eligible PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.0%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant Eligible PSE Trading Participant. The selling fee, less the applicable withholding tax, will be paid by the Domestic Receiving Agent to the Eligible PSE Trading Participants starting on the 10th banking day from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the Eligible PSE Trading Participants and LSIs in scripless form. Investors may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date. Costs or fees relating to such upliftment shall be for the account of the investor.

THE INSTITUTIONAL OFFER

The Institutional Offer Shares will be offered for sale (i) outside the United States by the International Bookrunners in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to Domestic QIBs in the Philippines by the Domestic Underwriters.

Investors in the Institutional Offer (but not the Trading Participants and Retail Offer) will be required to pay, in addition to the Offer Price, a brokerage fee of up to 1.0% of the Offer Price.

REALLOCATION

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be determined by the Joint Global Coordinators and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. Unless otherwise agreed by the Joint Global Coordinators and Joint Bookrunners, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer.

UNDERWRITING COMMITMENTS

The Company, the Selling Shareholder, and the Domestic Lead Underwriter have entered into a Domestic Underwriting Agreement to be dated on or about September 9, 2021 (the "**Domestic Underwriting Agreement**") and the Domestic Lead Underwriter and the Domestic Co-Lead Underwriters have entered into a sub-underwriting arrangement, whereby the Domestic Underwriters agree to underwrite on a firm commitment basis the number of Offer Shares opposite its name indicated in the following table, subject to agreement among the Joint Global Coordinators and Joint Bookrunners on any clawback, clawforward or other such mechanism relating to the reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

	Number of Offer Shares	**% of Firm Shares**	**Estimated Fees[(1)] (in ₱)**
BDO Capital & Investment Corporation..........	253,290,000	30%	91,754,302.50
First Metro Investment Corporation................	16,886,000	2%	4,757,630.50

Investment & Capital Corporation of the Philippines	16,886,000	2%	4,757,630.50
RCBC Capital Corporation	16,886,000	2%	4,757,630.50
SB Capital Investment Corporation	16,886,000	2%	4,757,630.50
Total	**320,834,000**	**38%**	**110,784,824.50**

Note:

(1) The estimated fees of the Domestic Underwriters are based on the Offer Price of the Offer Shares and are subject to agreement between the Joint Global Coordinators and Joint Bookrunners on any clawback, clawforward or other such mechanism.

Under the terms and conditions of the international purchase agreement to be dated on or about September 9, 2021 (the "**International Purchase Agreement**"), entered into among the Company, the Selling Shareholder and the International Bookrunners, the International Bookrunners have agreed to procure purchasers for or failing which to purchase the portion of Institutional Offer Shares opposite its name indicated in the following tables, subject to agreement among the Joint Global Coordinators and Joint Bookrunners on any clawback, clawforward or other such mechanism relating to reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer. The International Purchase Agreement is subject to certain conditions and may be subject to termination by the International Bookrunners if certain circumstances, including force majeure, occur on or before the Listing Date.

The International Bookrunners have undertaken to underwrite on a firm commitment basis, the portion of Institutional Offer Shares opposite its name indicated in the following table, subject to agreement between the Joint Global Coordinators and Joint Bookrunners on any clawback, clawforward or other such mechanism relating to reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

	Number of Institutional Offer Shares[(1)]	% of Firm Shares
Credit Suisse (Singapore) Limited	253,290,000	30%
DBS Bank Ltd	143,531,000	17%
CLSA Limited	126,645,000	15%
Total	**523,466,000**	**62%**

Note:

(1) The estimated underwriting commitments of the International Bookrunners are based on the Offer Price of the Offer Shares and are subject to agreement between the Joint Global Coordinators and Joint Bookrunners, the Joint International Bookrunners, the Joint Local Lead Underwriters and Bookrunners and the Local Co-Lead Underwriter on any clawback, clawforward or other such mechanism.

The foregoing tables do not reflect the exercise of the Overallotment Option that may or may not be exercised by the Stabilizing Agent to purchase up to 105,537,500 Option Shares.

There were no cornerstone investors and the Company did not enter into any cornerstone investment agreements in connection with the Institutional Offer.

THE OVERALLOTMENT OPTION

In connection with the Offer, subject to the approval of the Philippine SEC, the Selling Shareholder has granted the Stabilizing Agent an Overallotment Option, exercisable in whole or in part to purchase up to 105,537,500 Option Shares at the Offer Price and on the same terms and conditions as the Firm Shares, as set forth herein, from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. In connection therewith, the Selling Shareholder has entered into a greenshoe agreement with the Stabilizing Agent to, among other things, utilize up to 105,537,500 Option Shares to cover over-allocations under the Institutional Offer. The Option Shares may be over-allotted and the Stabilizing Agent may affect price stabilization transactions for a period beginning on or after the Listing Date, but extending no later than 30 days from and including the Listing Date.

Any Shares that may be delivered to the Stabilizing Agent under the Greenshoe Agreement will be re-delivered to the Selling Shareholder either through the purchase of Shares in the open market by the Stabilizing Agent in the conduct of stabilization activities or through the exercise of the Overallotment Option by the Stabilizing Agent. The Stabilizing Agent may purchase Shares in the open market only if the market price of the Shares falls below the Offer Price. The initial stabilization action shall be at a price below the Offer Price. After the initial stabilization action, (i) if there has not been an independent trade (i.e., a trade made by a person other than the

Stabilizing Agent for itself or on behalf of its clients) in the market at a higher price than the initial stabilization trade, the subsequent trade shall be below the initial stabilization price, or (ii) if there has been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price. Such activities may stabilize, maintain or otherwise affect the market price of the Shares, which may have the effect of preventing a decline in the market price of the Shares and may also cause the price of the Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If the Stabilizing Agent commences any of these transactions (which would include thereafter disposing of or selling the Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end.

Once the Overallotment Option has been fully exercised by the Stabilizing Agent, it will no longer be allowed to purchase Shares in the open market for the conduct of stabilization activities. As discussed under the section "*Dilution*", if the Overallotment Option is fully exercised, the number of shares held by new investors will be **949,837,500** Shares and the public float will increase to **37.5%**. The partial or full exercise of the Overallotment Option will not trigger the issuance of any new Shares to the Selling Shareholder to offset the Shares sold under the Overallotment Option. To the extent the Overallotment Option is not fully exercised by the Stabilizing Agent, the same shall be deemed cancelled and the relevant Option Shares shall be re-delivered to the Selling Shareholder, and the corresponding filing fee for the Overallotment Option shall be forefeited.

LOCK-UP

Under the PSE Consolidated Listing and Disclosure Rules, an applicant company shall cause existing shareholders who own an equivalent of at least 10% of the issued and outstanding shares of stock of the company to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

- 180 days after the listing of said shares if the applicant company meets the track record requirements in Section 1, Article III, Part D of the PSE Consolidated Listing and Disclosure Rules; or
- 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Consolidated Listing and Disclosure Rules.

The following shall be subject to the 365-day lock-up period from Listing Date:

Shareholder	No. of Shares Subject to 365-day Lock-up Period from Listing Date
Megaworld Corporation	1,677,820,381 Shares

Assuming the Overallotment Option is fully exercised:

Shareholder	No. of Shares Subject to 365-day Lock-up Period from Listing Date
Megaworld Corporation	1,572,282,881 Shares

In addition, under the PSE Listing Rules, if there is any issuance or transfer of shares (i.e., private placements, asset for shares swaps, or similar transactions) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants, or similar instruments) done and fully paid for within 180 calendar days prior to the start of the offering period, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least 365 calendar days from full payment of the aforesaid shares. The Amended Articles of Incorporation of the Company provide that the Company shall comply with the lock-up requirement of the PSE Listing Rules, subject to any waiver or exemption that may be granted by the PSE.

The following are covered by the 365-day lock-up from full payment of the Shares requirement:

Shareholder	No. of Shares Subject to 365-day Lock-up Period
Jesus B. Varela[(1)]	1,000 Shares
Sergio R. Ortiz Luis, Jr.[(1)]	1,000 Shares
Katherine L. Tan	1,000 Shares
Antonio E. Llantada, Jr[(1)]	1,000 Shares

Note: (1) Qualifying Shares issued to our independent directors.

To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository ("**PCD**") participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. To implement the lock-up requirement, the Company and the foregoing shareholders shall enter into an escrow agreement with BDO Unibank, Inc. – Trust and Investments Group.

The Company and the Selling Shareholder have agreed with the International Bookrunners and the Domestic Lead Underwriter that, except in connection with the Overallotment Option, they will not, without the prior written consent of the International Bookrunners and the Domestic Lead Underwriter, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date.

INDEMNITY

The International Purchase Agreement provides that the Company and the Selling Shareholder will indemnify the International Bookrunners against certain liabilities, including under the Securities Act.

REGISTRATION OF FOREIGN INVESTMENTS

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Regulatory and Environmental Matters—Foreign Investment Laws and Restrictions—Registration of Foreign Investments and Exchange Controls*".

SELLING RESTRICTIONS

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the Philippine SEC on Form 12-1 and the registration statement has been declared effective by the Philippine SEC.

NAME-ON CENTRAL DEPOSITORY ARRANGEMENT

The REIT Law provides that all the shares of a REIT shall be in uncertificated form. Further, the REIT shall engage the services of a duly licensed transfer agent to monitor subsequent transfers of the shares. Such transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any non-public shareholders. The PSE Amended REIT Listing Rules require that a REIT shall establish sufficient control and procedures that shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any of the non-public shareholders.

The Company has engaged the services of BDO Unibank, Inc. – Trust and Investments Group, a duly licensed transfer agent, to monitor subsequent transfers of the shares. The said transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any non-public shareholders. The Company is making the necessary arrangements with the PDTC as central securities depository on the recording of the Company's shareholders under a Name-On Central Depository arrangement.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, our legal counsel, and Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the International Bookrunners and the Domestic Underwriters. Certain legal matters as to United States federal law will be passed upon by Latham & Watkins LLP, our legal counsel, and Milbank LLP, legal counsel to the International Bookrunners and the Domestic Underwriters.

Each of the foregoing legal counsel has neither shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. None of the legal counsel will receive any direct or indirect interest in any of our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS AND OTHER EXPERTS

Independent Auditors

P&A Grant Thornton has (i) audited our historical financial statements as of December 31, 2020 and for the period October 2, 2020 to December 31, 2020, and our historical interim financial statements as of and for the three months ended March 31, 2021, and (ii) audited our combined carve-out financial statements as of and for the years ended June 30, 2020, 2019, 2018 and 2017 and as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020, in accordance with PSA. P&A Grant Thornton has examined (i) our Company's Profit Projection included in this REIT Plan in accordance with Philippine Standard on Assurance Engagements ("**PSAE**") 3400, *The Examination of Prospective Financial Information*. *Philippine Standard on Assurance Engagements*, and (ii) completed its assurance engagement to report on the compilation of our Company's pro forma condensed interim financial statements as of March 31, 2021 and for the nine months ended March 31, 2021 and as of and for the year ended June 30, 2020 in accordance with PSAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*.

P&A Grant Thornton has acted as the Company's external auditor since October 2, 2020. Renan A. Piamonte is the current audit partner for the Company and has served as such since October 2, 2020. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period.

P&A Grant Thornton has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. P&A Grant Thornton will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees paid to by P&A Grant Thornton for professional services rendered in respect of the audit of our historical financial statements, excluding out-of-pocket expenses incidental to such services and excluding fees directly related to the Offer:

	2017	**2018**	**2019**	**2020**	**2021**
Audit and Audit Related Fees (in ₱).....	N/A	N/A	N/A	70,000	420,000

There is no arrangement that experts will receive a direct or indirect interest in the Company or as a promoter, underwriter, voting trustee, director, officer, or employee of the Company.

As of the date of this REIT Plan, P&A Grant Thornton has not been engaged by the Company for any non-audit services, including tax services, apart from services relating to the Offering under this REIT Plan.

Property Valuer

Santos Knight Frank, Inc. ("**SKF**") was responsible for preparing the valuation reports of the Properties as of March 31, 2021, which are attached to this REIT Plan as Annex 3 (*Valuation Reports*). The professional fees billed by SKF for such engagement amounted to ₱4,340,000.00.

SKF is a Philippine corporation with Philippine SEC Registration Number A199818549. SKF is also an SEC-accredited asset valuer. The certifying officers of SKF for the Valuation Reports attached to this REIT Plan are Jesus Constance M. Castro and Jacqueline T. Guerta, who are professional appraisers duly licensed by the Professional Regulation Commission.

Below are the directors and officers of SKF:

Name	**Position**
Frederick M. Santos	Chairman & President
Jasmin Caro-Piedad	Treasurer
Danilo Enrique O. Co	Director & Corporate Secretary
Grace B. Go	Director
Celia N. Rocamora	Asst. Corporate Secretary
Elmer S. Sallador	Director

Based on a sworn certification executed on 12 July 2021 by the Associate Corporate Secretary of SKF:

1. SKF was registered on 15 December 2016 and accredited on 21 March 2017 by the Securities and Exchange Commission;

2. As of 12 July 2021, the Corporation has a cumulative experience of at least five (5) years in the appraisal business;

3. SKF renders professional services to Citibank N.A., Ayala Land, Inc. and Metro Retail Stores Group, Inc.;

4. SKF or any of its directors and/or officers have not been the subject of an adverse judgement in any administrative, civil, or criminal case involving the Corporation's appraisal business;

5. SKF shall ensure that its opinion and valuation are independent of and unaffected by its business or commercial relationship with other persons;

6. SKF, as well as its directors and principal officers, comply with the fit and proper rule, as provided under Republic Act No. 9856 ("REIT Act"), and its revised implementing rules and regulations; and

7. SKF is solvent and is of sound and financial condition.

SKF will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer.

A brief discussion of the assumptions and methodologies used by SKF is attached as Annex "3-B."

Independent Market Research Consultant

Leechiu Property Consultants Inc. ("**LPC**"), an independent market research consultant, was responsible for preparing the industry report entitled "Office Market Research Report" and dated June 10, 2021, portions of which have been presented in the section entitled "*Industry Overview*" in this REIT Plan and the full version of which is attached to this REIT Plan as Annex 4 (*Office Market Research Report*). LPC is a leader in global real estate services. It provides a total real estate solution to both local and multinational corporations across all sectors worldwide. The professional fees billed by LPC for such work amounted to ₱600,000.00, inclusive of Value-Added Tax.

LPC will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer.

INDEX TO FINANCIAL STATEMENTS

Audited Interim Financial Statements of MREIT (formerly Megaworld Holdings, Inc.) (A Wholly-Owned Subsidiary of Megaworld Corporation) as of and for the three months ended March 31, 2021

MREIT, INC.

18th Floor Alliance Global Tower 36th St. cor. 11th Avenue, Uptown Bonifacio, Taguig City

May 31, 2021

Securities and Exchange Commission
Ground Flr – North Wing, PICC Secretariat Building
Philippine International Convention Center (PICC) Complex
Roxas Boulevard, Pasay City

The management of **MREIT, Inc.** (the Company), is responsible for the preparation and fair presentation of the combined carve-out financial statements including the schedules attached therein for the years ended June 30, 2020, 2019, 2018 and 2017 covering the ten (10) real property assets to be transferred to the Company, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined carve-out financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process. The Board of Directors reviews and approves the combined carve-out financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditor appointed by the stockholders, has audited the combined carve-out financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCISCO C. CANUTO
Chairman of the Board

KEVIN ANDREW L. TAN
President

GIOVANNI C. NG
Treasurer

Signed this 31st day of May, 2021

P&A Grant Thornton

Report of Independent Auditors

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
MREIT, Inc.
(A Subsidiary of Megaworld Corporation)
(Formerly Megaworld Holdings, Inc.)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

We have audited the combined carve-out financial statements of Megaworld REIT Properties [Megaworld Corporation's Real Estate Properties to be transferred to MREIT, Inc. (the Assigned Properties)], which comprise the combined carve-out statements of financial position as at June 30, 2020, 2019, 2018 and 2017, and the combined carve-out statements of comprehensive income, combined carve-out statements of changes in equity and combined carve-out statements of cash flows for the years then ended, and notes to the combined carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined carve-out financial statements present fairly, in all material respects, the financial position of the Assigned Properties as at June 30, 2020, 2019, 2018 and 2017, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined Carve-out Financial Statements* section of our report. We are independent of the Assigned Properties in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the combined carve-out financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The accompanying combined carve-out financial statements have been revised and reissued to update certain disclosures in Notes 2, 3 and 13. This report supersedes our audit report on the previously issued combined carve-out financial statements dated May 31, 2021.

Responsibilities of Management and Those Charged with Governance for the Combined Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of the combined carve-out financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined carve-out financial statements, management is responsible for assessing the Assigned Properties' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Assigned Properties or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Assigned Properties' financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Carve-out Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined carve-out financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Assigned Properties' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assigned Properties' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Assigned Properties to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined carve-out financial statements, including the disclosures, and whether the combined carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 3, 2021

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
COMBINED CARVE-OUT STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018	2017
A S S E T S					
CURRENT ASSETS					
Cash	4	**P 500,000**	P 500,000	P 500,000	P 500,000
Trade receivables - net	5	**71,567,628**	60,435,972	50,639,722	33,577,064
Prepayments and other current assets		**16,479,435**	16,479,435	15,361,867	13,923,468
Total Current Assets		**88,547,063**	77,415,407	66,501,589	48,000,532
NON-CURRENT ASSETS					
Trade receivables - net	5	**215,250,171**	187,313,573	147,060,780	102,009,004
Investment properties - net	6	**9,520,082,585**	9,851,030,525	10,181,978,465	10,512,926,405
Total Non-current Assets		**9,735,332,756**	10,038,344,098	10,329,039,245	10,614,935,409
TOTAL ASSETS		**P 9,823,879,819**	P 10,115,759,505	P 10,395,540,834	P 10,662,935,941
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Deposits and other liabilities	7	**P 329,293,133**	P 267,804,586	P 210,375,306	P 131,503,645
Income tax payable		**371,648,401**	390,156,458	385,885,656	347,423,768
Total Current Liabilities		**700,941,534**	657,961,044	596,260,962	478,927,413
NON-CURRENT LIABILITIES					
Deposits and other liabilities	7	**741,727,541**	701,005,870	741,768,644	820,380,926
Deferred tax liabilities - net	12	**66,028,828**	59,512,290	50,161,133	31,887,100
Total Non-current Liabilities		**807,756,369**	760,518,160	791,929,777	852,268,026
Total Liabilities		**1,508,697,903**	1,418,479,204	1,388,190,739	1,331,195,439
EQUITY					
Invested equity	14	**8,315,181,916**	8,697,280,301	9,007,350,095	9,331,740,502
TOTAL LIABILITIES AND EQUITY		**P 9,823,879,819**	P 10,115,759,505	P 10,395,540,834	P 10,662,935,941

See Notes to Combined Carve-out Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
COMBINED CARVE-OUT STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30, 2020, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018	2017
RENTAL INCOME	8	**P 2,039,882,033**	P 2,108,578,567	P 2,107,731,751	P 2,012,347,390
COST OF SERVICES	9	**(347,427,374)**	(346,309,806)	(344,871,407)	(336,334,193)
GROSS PROFIT		**1,692,454,659**	1,762,268,761	1,762,860,344	1,676,013,197
OTHER OPERATING EXPENSES	10	**(77,851,804)**	(65,427,633)	(54,823,122)	(77,188,507)
OPERATING PROFIT		**1,614,602,855**	1,696,841,128	1,708,037,222	1,598,824,690
INTEREST EXPENSE	7	**(28,011,439)**	(24,756,072)	(23,764,083)	(22,281,369)
PROFIT BEFORE TAX		**1,586,591,416**	1,672,085,056	1,684,273,139	1,576,543,321
TAX EXPENSE	12	**(475,701,281)**	(501,151,531)	(504,539,269)	(471,888,513)
NET PROFIT		**1,110,890,135**	1,170,933,525	1,179,733,870	1,104,654,808
OTHER COMPREHENSIVE INCOME		**-**	-	-	-
TOTAL COMPREHENSIVE INCOME		**P 1,110,890,135**	P 1,170,933,525	P 1,179,733,870	P 1,104,654,808

See Notes to Combined Carve-out Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
COMBINED CARVE-OUT STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2020, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Note	2020	2019	2018	2017
EQUITY	14				
Invested Equity					
Balance at beginning of year		**P 8,697,280,301**	P 9,007,350,095	P 9,331,740,502	P 10,839,807,402
Distributions of invested equity		**(1,492,988,520)**	(1,481,003,319)	(1,504,124,277)	(2,612,721,708)
Total comprehensive income		**1,110,890,135**	1,170,933,525	1,179,733,870	1,104,654,808
Balance at end of year		**P 8,315,181,916**	P 8,697,280,301	P 9,007,350,095	P 9,331,740,502

See Notes to Combined Carve-out Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**P 1,586,591,416**	P 1,672,085,056	P 1,684,273,139	P 1,576,543,321
Adjustments for:					
Depreciation expense	6	**330,947,940**	330,947,940	330,947,940	326,880,997
Interest expense	7	**28,011,439**	24,756,072	23,764,083	22,281,369
Impairment loss	5	**23,013,574**	1,337,880	11,914,746	2,484,278
Operating profit before working capital changes		**1,968,564,369**	2,029,126,948	2,050,899,908	1,928,189,965
Increase in trade receivables		**(62,081,828)**	(51,386,923)	(74,029,180)	(138,070,346)
Increase in prepayments and other current assets		**-**	(1,117,568)	(1,438,399)	(13,923,468)
Increase (decrease) in deposits and other liabilities		**74,198,779**	(8,089,566)	(23,504,704)	929,603,202
Cash generated from operations		**1,980,681,320**	1,968,532,891	1,951,927,625	2,705,799,353
Cash paid for income taxes		**(487,692,800)**	(487,529,572)	(447,803,348)	(92,577,645)
Net Cash From Operating Activities		**1,492,988,520**	1,481,003,319	1,504,124,277	2,613,221,708
CASH FLOWS FROM AN INVESTING ACTIVITY					
Payments for addition to investment properties	6	**-**	-	-	(40,669,430)
CASH FLOWS FROM A FINANCING ACTIVITY					
Distributions of invested equity	14	**(1,492,988,520)**	(1,481,003,319)	(1,504,124,277)	(2,572,052,278)
NET INCREASE IN CASH		**-**	-	-	500,000
CASH AT BEGINNING OF YEAR		**500,000**	500,000	500,000	-
CASH AT END OF YEAR		**P 500,000**	P 500,000	P 500,000	P 500,000

See Notes to Combined Carve-out Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
NOTES TO COMBINED CARVE-OUT FINANCIAL STATEMENTS
JUNE 30, 2020, 2019, 2018 and 2017
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Megaworld Corporation (the Company or MC) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction, and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces. All of the Company's common shares are listed at the Philippine Stock Exchange.

Alliance Global Group, Inc. (AGI or the Parent Company), also a publicly-listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-entertainment, and gaming businesses.

The registered office address and principal place of business of the Company is located at 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark 188 E. Rodriqguez, Jr. Avenue, Bagumbayan, Quezon City.

1.2 MREIT, Inc. and Megaworld Corporation's REIT Properties

On February 1, 2021, the Company subscribed to and paid for 12,400,000 common stock of MREIT, Inc. (MREIT) with par value of P100 per share or a total subscription price of P1,240,000,000. As a result of the subscription, the Company obtained control over MREIT as at February 1, 2021 and its ownership interest became 99.20% of the total issued and outstanding capital stock of MREIT then.

MREIT, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. MREIT's primary purpose, as amended on April 7, 2021, is to engage in the business of a real estate investment trust, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009* (the "REIT Act"), including its implementing rules and regulations, and other applicable laws.

On April 7, 2021, the BOD and stockholders of the Company approved the property-for-share swap transaction with MREIT (the Property-for-Share Swap). On May 3, 2021, the Company and MREIT entered into a Deed of Exchange of Property for Shares in relation to the Property-for-Share Swap. Subject to the SEC's confirmation of the valuation of the properties, as filed with the SEC on the same date, and to the issuance by the Bureau of Internal Revenue (BIR) of the Certificate Authorizing Registration, the Company transferred, assigned and conveyed absolutely in favor of MREIT all of its rights, title and interests in certain real properties (Megaworld REIT Properties or the Assigned Properties), free from liabilities and debts and free from all liens and encumbrances, in exchange for MREIT's 1,282,120,381 common shares with an issue price of P38.38 per share broken down as par value of one peso per share and additional paid-in capital of P47,920,287,239. The consummation of the Property-for-Share Swap will further increase the Company's ownership interest in MREIT to 99.6% of the total issued and outstanding capital stock.

The corresponding fair values of the Assigned Properties are as follows:

Located in Bagumbayan, Murphy, Quezon City:	
1800 Eastwood Avenue	P 6,947,630,000
1880 Eastwood Avenue	6,748,764,000
E Commerce Building	4,188,040,000
Located in Mandurriao, Iloilo City:	
Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower	2,062,266,020
One Techno Place	1,508,694,600
Located in Barangay Pinagsama, Taguig City:	
One World Square	7,528,990,000
Two World Square	5,257,741,000
Three World Square	5,240,508,000
8/10 Upper Mckinley	4,924,563,000
18/20 Upper Mckinley	4,795,211,000
	P49,202,407,620

Likewise on May 3, 2021, lease agreements were entered into between the Company and MREIT over the land on which the Assigned Properties stood for a period of 25 years until May 3, 2046, renewable for another 25 years, at the option of MREIT, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, MREIT shall pay the Company commencing January 1, 2023, rent equivalent to 5% of gross rental income for office, retail and commercial properties, and 3% of gross rental income for hotel properties.

On May 19, 2021, in furtherance of the transfer, assignment and conveyance in favor of MREIT of all of the Company's rights, title and interests in the Assigned Properties in exchange for MREIT's common shares, the Company and MREIT entered into a Deed of Assignment of Leases assigning all of the Company's rights and interests in and to the Contracts of Lease over portions of the Assigned Properties leased out to various entities effective upon the issuance of MREIT's common shares in the name of the Company under the Deed of Exchange of Property and Shares.

It bears to stress that R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, removed the requirement of prior confirmation of the tax-free nature of an exchange under Section 40(C)(2) of the National Internal Revenue Code of 1997 (NIRC) from the BIR for purposes of availing of the tax exemption. As such, only a tax clearance or CAR need be obtained from the relevant Revenue District Office. The CAR must be obtained before legal title to the Properties can be transferred to the Company.

As of the date the combined carve-out financial statements were authorized for issue, the requisite CARs authorizing the transfer of legal title to the Assigned Properties from the Company to MREIT have already been obtained. Accordingly, tax declarations over the Assigned Properties were available in the name of MREIT. Meanwhile, the SEC is yet to certify the approval of the valuation of the Property-for-Share Swap in order that MREIT can issue 1,282,120,381 common shares to the Company. Hence, the Property-for-Share Swap has not yet been consummated.

Prior to approval and effectivity of the Property-for-Share Swap, the accompanying combined carve-out financial statements have been prepared to provide the historical financial position and performance and cash flows of the Assigned Properties as at and for the years ended June 30, 2020, 2019, 2018 and 2017

1.3 Amendments of Articles of Incorporation and By-Laws of MREIT

On April 7, 2021, majority of the members of the BOD and stockholders of MREIT approved the amendments to the Articles of Incorporation and By-Laws of MREIT, which include, among others, the following:

- change of name from Megaworld Holdings, Inc. to MREIT, Inc.;

- change in primary purpose from engaging in investment activities as an investment holdings company to engaging in the business of a real estate investment trust, as provided under the REIT Act and other applicable laws, which business includes: dealing with (1) income-generating real estate; (2) real estate, real estate-related assets, investments and instruments; and, (3) rent, interest, dividends and income arising from its property and investments;

- change in the secondary purposes to align with its primary purpose;

- change of principal office from 30th Floor, Alliance Global Tower to 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City;

- change in number of directors from five to seven;

- change in par value of common shares from P100 to P1, resulting in an increase in the number of authorized common shares from 50,000,000 to 5,000,000,000 and subscribed common shares from 12,500,000 to 1,250,000,000; and,

- change in the fiscal year to begin on the first day of July and end on the last day of June of each year.

On May 19, 2021, the SEC approved the amendments to MREIT's Articles of Incorporation and By-Laws. The related approval from the BIR was obtained on May 20, 2021.

1.4 Impact of Covid-19 to the Assigned Properties' Operations

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Assigned Properties' business operations. This resulted in a wide-ranging business suspension – disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market. The situation ensued as of June 30, 2020 and thereafter.

Rental income dropped by 3% primarily due to temporary closure of commercial spaces, rent concessions and lower foot traffic upon reopening. Concession of rent and other related charges amounted to P31.5 million. Other observations are presented below.

- offered deferment of monthly rent without penalty until December 2020;
- waived certain rental charges of retail partners and commercial tenants;
- registered early termination and restructuring of lease contracts for some commercial tenants;
- various community quarantine measures resulted in the temporary closure of commercial establishments with the exception of essential establishments, resulting in a decline in foot traffic; and,
- business process outsourcing (BPO) offices remained operational even during the community quarantine.

In response to this matter, the Assigned Properties have taken the following actions:

- assisted tenants in implementing social distancing measures; and,
- continues to work closely with tenants to determine and address their needs;

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Assigned Properties would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Assigned Properties' ability to continue as a going concern.

1.5 Approval of Combined Carve-Out Financial Statements

The combined carve-out financial statements of the Assigned Properties as of and for the year ended June 30, 2020 (including the comparative combined carve-out financial statements as of and for the years ended June 30, 2019, 2018 and 2017) were approved and authorized for issue by the Company's BOD on August 3, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these combined carve-out financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Combined Carve-out Financial Statements

(a) Basis of Preparation

The accompanying combined carve-out financial statements have been prepared by separating the historical financial information of the Assigned Properties arising from the Property-for-Share Swap out of MC's consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRS). Furthermore, these combined carve-out financial statements provide comparative information in respect of the previous periods.

MREIT started to prepare its statutory financial statements as of and for the period ended December 31, 2020 and as of and for the three months ended March 31, 2021. MREIT has no statutory financial statements for all the periods shown in these combined carve-out financial statements as the Company was only incorporated on October 2, 2020 (see Note 1.2).

The statutory financial information of MREIT, as separate legal entity, is different from the financial information of the Assigned Properties which is the subject to the accompanying combined carve-out financial statements.

Until the Property-for-Share Swap is approved by the SEC, said financial information shall remain to be presented as a part of MC's consolidated financial statements and not in the standalone financial statements of MREIT.

The accompanying combined carve-out financial statements of the Assigned Properties have been prepared for inclusion in the REIT plan for submission to the SEC. PFRS do not include specific guidance for preparation of combined and carved out financial statements. The principles used in the preparation of combined and carved out financial statements of the Assigned Properties are presented below.

- The combined carve-out financial statements are based on historical income and expenses, assets, liabilities, equity and cash flows of the combining assets. Equity is determined by combining the historical accumulated earnings of the combining assets, adjusted for the effects of elimination of intra-company transactions among and within MC. The individual financial information of each of the combining assets are prepared in accordance with PFRSs.

- The historical financial information of the combined assets was carved out from the accounting systems and records of MC, which uses December 31 calendar year. The carve-out financial information presented herein reflects income and expenses, assets, liabilities and cash flows that have formed part of the combined assets' historical financial information, which were further adjusted to conform with the Assigned Properties' fiscal year of June 30. These include, among others, (i) working capital directly attributable and identifiable to the combined assets; (ii) third party debt and related expenses directly attributable to the real estate assets, if any, and (iii) income taxes in accordance with PAS 12, *Income Taxes*, as if the combining assets is a separate taxpayer. None of MC's external debts were allocated to the combined assets, and accordingly, none of MC's debt and interest expense were allocated to the carved out financial information related to the combined assets.

- Each of the investment properties has neither formed part of any separate legal entities nor presented any stand-alone financial statements, and accordingly, it is not practicable to present share capital or an analysis of equity reserves. The net assets attributable to the combined assets, excluding the cumulative earnings, are represented by capital invested in assets and shown as Invested Equity in the combined carve-out statement of financial position.

The accounting policies and method of computation adopted in the preparation of the combined carve-out financial statements are consistent with those followed in the preparation of MC's annual consolidated financial statements as at and for the years ended December 31, 2020 and 2019.

(b) Basis of Combination

The individual financial information of the combining assets, as described in Note 1.2, as of and for the years ended June 30, 2020, 2019, 2018 and 2017, which were prepared for the same reporting period using their own set of accounting policies, are adjusted to the accounting policies of MC when combined financial statements are prepared. Any intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full.

There are no other comprehensive income (OCI) items that have been included in the combined carve-out financial statements as of the periods ended June 30, 2020, 2019, 2018 and 2017.

(c) Statement of Compliance with Philippine Financial Reporting Standards

The combined carve-out financial statements of the Assigned Properties have been prepared in accordance with PFRS. PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

(d) Presentation of Combined carve-out Financial Statements

The combined carve-out financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Assigned Properties present all items of income, expense and other comprehensive income or loss in a single combined carve-out statement of comprehensive income.

(e) Functional and Presentation Currency

These combined carve-out financial statements are presented in Philippine pesos, the Assigned Properties' presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the combined carve-out financial statements of the Assigned Properties are measured using the Assigned Properties' functional currency. Functional currency is the currency of the primary economic environment in which the Assigned Properties operate.

2.2 Adoption of New and Amended PFRS

(a) Effective in Fiscal Year 2020 that are Relevant to the Assigned Properties

The Assigned Properties adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends

The following are the relevant information about these pronouncements.

(i) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Assigned Properties' combined carve-out financial statements.

(ii) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Assigned Properties have adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard did not result into recognition of right-of-use assets and lease liabilities as the Assigned Properties' leases, as a lessee, have variable lease payments.

(iii) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Assigned Properties to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Assigned Properties have to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The interpretation had no significant impact on the Assigned Properties' combined carve-out financial statements.

(iv) Annual Improvements to PFRS 2015-2017. Among the improvements, only PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends* is relevant to the Assigned Properties but have no significant impact on its combined carve-out financial statements. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

(b) Effective in Fiscal Year 2020 that are not Relevant to the Assigned Properties

The following amendments and annual improvements are mandatorily effective for annual periods beginning on or after January 1, 2019 but are not relevant to the Assigned Properties' combined carve-out financial statements:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combination and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

(c) Effective Subsequent to Fiscal Year 2020 but not Adopted Early

There are pronouncements effective for annual periods subsequent to calendar year 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Assigned Properties' combined carve-out financial statements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) *Revised Conceptual Framework for Financial Reporting* (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

(iii) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

(iv) PFRS 9 (Amendments), *Financial Instruments*, PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform - Phase 2* (effective January 1, 2021). The amendments provide practical expedients for changes in the basis for determining the contractual cash flows and reliefs from certain hedge accounting requirements due to alteration of interest rate benchmark as a result of interest rate benchmark reform. Moreover, it requires an entity to disclose information that enable users to understand the nature and extent of risks resulting from interest rate benchmark reform, the management of such risks, the progress of transition to alternative benchmark rates and the management of such transition.

(v) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(vi) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Assigned Properties but had no material impact to the Assigned Properties' combined carve-out financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities.* The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(vii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 Financial Instruments

Financial assets are recognized when the Assigned Properties become a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification and Measurement of Financial Assets in accordance with PFRS 9 (2020, 2019, 2018)

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are classified into the following categories: financial assets at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. As of June 30, 2020, 2019 and 2018, the Assigned Properties' financial assets are all classified and measured at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Assigned Properties' business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold-to-collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Assigned Properties' financial assets at amortized cost are presented in the combined carve-out statement of financial position as Cash and Trade Receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash on hand and in banks, which pertains to deposits which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the combined carve-out statement of comprehensive income as part of Other Income.

(ii) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39 (2017)

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit of loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale securities.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Regular purchases and sales of financial assets are recognized on their trade date.

All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

All of the Assigned Properties' financial assets as of June 30, 2017 are categorized as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Assigned Properties provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Assigned Properties' financial assets categorized as loans and receivables are presented as Cash and Trade Receivables in the combined carve-out 2017 statement of financial position.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any.

(iii) Impairment of Financial Assets in accordance with PFRS 9 (2020, 2019, 2018)

At the end of the reporting period, the Assigned Properties assess and recognize allowance for ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Assigned Properties' identification of a credit loss event. Instead, the Assigned Properties consider a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Assigned Properties apply the simplified modified approach in measuring ECL for trade receivables which uses a lifetime expected loss allowance. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Assigned Properties use their historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The key elements used in the calculation of ECL are discussed below:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Assigned Properties would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Assigned Properties recognize an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iv) Impairment of Financial Assets in Accordance with PAS 39 (2017)

Impairment loss is provided when there is objective evidence that the Assigned Properties will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(v) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Assigned Properties neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Assigned Properties recognize their retained interest in the asset and an associated liability for amounts their may have to pay. If the Assigned Properties retain substantially all the risks and rewards of ownership of a transferred financial asset, the Assigned Properties continue to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities of the Assigned Properties, which pertain to security deposits presented under Deposits and other liabilities, are recognized when the Assigned Properties become a party to the contractual terms of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss in the combined carve-out statement of comprehensive income.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Assigned Properties do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the combined carve-out statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the combined carve-out statement of financial position when the Assigned Properties currently have legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Prepayments and Other Assets

Prepayments and other current assets pertain to other resources controlled by the Assigned Properties as a result of past events. These are composed of prepaid taxes and input value-added taxes (VAT). They are recognized in the combined carve-out financial statements when it is probable that the future economic benefits will flow to the Assigned Properties and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Assigned Properties beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.5 Investment Properties

Investment properties include buildings and improvements for lease under operating lease agreements and construction-in-progress, which is intended to be held for lease.

These properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation of buildings and improvements, is computed using the straight-line method over the estimated useful life of 40 years. Construction-in-progress is not depreciated until such time as the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.9).

The residual values, estimated useful lives and method of depreciation of investment properties are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the combined carve-out statement of comprehensive income in the year of retirement or disposal.

2.6 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the combined carve-out financial statements. Similarly, probable inflows of economic benefits to the Assigned Properties that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the combined carve-out financial statements. On the other hand, any reimbursement that the Assigned Properties can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.7 Revenue and Expense Recognition

Currently, the Assigned Properties have no revenue arising from contracts with customers that needs to be accounted for under PFRS 15. Its revenue is limited to the rental income that it generates from leasing its office, retail and parking spaces; refer to Note 2.8 in respect of its recognition in profit or loss.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred. All finance costs are reported in profit or loss on an accrual basis.

2.8 Leases

The Assigned Properties account for leases as follows:

(a) Assigned Properties as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2020 and 2019)

For any new contracts entered into on or after January 1, 2019, the Assigned Properties consider whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Assigned Properties assess whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Assigned Properties;
- the Assigned Properties have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Assigned Properties have the right to direct the use of the identified asset throughout the period of use. The Assigned Properties assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Assigned Properties have elected to account for any short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(ii) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)

Leases which transfer to the Assigned Properties substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the combined carve-out statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Assigned Properties substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Assigned Properties as Lessor

Leases wherein the Assigned Properties substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Assigned Properties' net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Assigned Properties' net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Assigned Properties determine whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.9 Impairment of Non-financial Assets

The Assigned Properties' non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Assigned Properties' latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.10 Employee Benefits

The Assigned Properties provide post-employment benefits to employees through defined contribution plans and other employee benefits which are recognized as follows:

(a) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Assigned Properties pay fixed contributions into an independent entity. The Assigned Properties have no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Deposits and Other Liabilities account in the combined carve-out statement of financial position at the undiscounted amount that the Assigned Properties expect to pay as a result of the unused entitlement.

2.11 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Assigned Properties expect, at the end of the reporting period, to cover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Assigned Properties have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.12 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Assigned Properties and their related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Assigned Properties; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Assigned Properties that gives them significant influence over the Assigned Properties and close members of the family of any such individual

2.13 Equity

Equity consists of the residual interest on the assets and liabilities from the combining properties and the accumulated combined carve-out net income for the years ended June 30, 2020, 2019, 2018 and 2017, reduced by distributions of invested equity. The presumed cash distributions or distributions of invested equity are calculated by adding or subtracting net cash from (used in) operating activities, net cash from (used in) investing activities and net cash from (used in) financing activities other than the presumed cash distributions or distributions of invested equity.

The net cash flows associated with Assigned Properties, except for the amount of required cash balance for the day-to-day operations of the Assigned Properties, flows to the overall net cash flows of the Company. Accordingly, all other net cash flows were reverted to the Company in the form of distributions of invested equity as presented under the Cash Flows from a Financing Activity section of the of the combined carve-out interim statements of cash flows.

2.14 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Assigned Properties' combined carve-out financial position at the end of the reporting period (adjusting event) is reflected in the combined carve-out financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the combined carve-out financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Assigned Properties' combined carve-out financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the combined carve-out financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Assigned Properties' accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the combined carve-out financial statements.

(a) Determination of ECL on Trade Receivables (2020, 2019 and 2018)

The Assigned Properties use a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Assigned Properties' historical observed default rates. The Assigned Properties' management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Assigned Properties' trade receivables are disclosed in Note 17.1.

(b) Distinction Among Investment Properties and Owner-occupied Properties

The Assigned Properties determine whether a property should be classified as investment property or owner-occupied property. The Assigned Properties apply judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the Assigned Properties consider whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise of a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Assigned Properties' main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Assigned Properties account for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Assigned Properties' main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Assigned Properties consider each property separately in making its judgment.

(c) Distinction Between Operating and Finance Leases (As a Lessor)

The Assigned Properties have entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Assigned Properties' lease agreements are classified as operating lease.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.6 and disclosures on relevant provisions and contingencies are presented in Note 16.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding page are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Fair Value Measurement of Investment Properties

The Assigned Properties, composed of buildings for mixed use, are carried at cost, net of accumulated depreciation and any impairment in value. In determining the fair value of these assets, the Assigned Properties engage the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 19.3.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 6 and 19.3.

(b) Determination of Realizable Amount of Deferred Tax Asset

The Assigned Properties review its deferred tax asset at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at June 30, 2020, 2019, 2018 and 2017 will be utilized in the succeeding years.

The carrying amount of the deferred tax assets as at June 30, 2020, 2019, 2018 and 2017 is disclosed in Note 12.

(c) Estimation of Allowance for ECL (2020, 2019 and 2018)

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 17.1.

(d) Estimation of Impairment Loss on Trade Receivables (2017)

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Assigned Properties evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Assigned Properties' relationship with the counterparties and the counterparties' current credit status. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience. Based on management's assessment, impairment loss is required to be recognized on trade receivables needs in 2017 (see Note 5).

(e) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Assigned Properties' policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.9. Though management believes that the assumptions used in the estimation of fair values reflected in the combined carve-out financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses on the Assigned Properties' non-financial assets required to be recognized in 2020, 2019, 2018 and 2017 based on management's assessment.

4. CASH

Cash pertains to small amount of discretionary fund which is used by the Assigned Properties to pay for minor expenditures amounting to P0.5 million as of June 30, 2020, 2019, 2018 and 2017.

5. TRADE RECEIVABLES

The combined carve-out balance of this account is composed of the following:

	Notes	**2020**	2019	2018	2017
Current:					
Trade receivables:	13.1				
Billed		**P 66,721,706**	P 49,375,245	P 30,496,725	P 29,295,734
Accrued		**14,586,368**	15,053,717	23,808,842	4,896,546
		81,308,074	64,428,962	54,305,567	34,192,280
Allowance for doubtful accounts	17.1	**(9,740,446)**	(3,992,990)	(3,665,845)	(615,216)
		71,567,628	60,435,972	50,639,722	33,577,064
Non-current –					
Trade receivables – Accrued	13.1	**244,260,203**	199,057,487	157,793,959	103,878,066
Allowance for doubtful accounts	17.1	**(29,010,032)**	(11,743,914)	(10,733,179)	(1,869,062)
		215,250,171	187,313,573	147,060,780	102,009,004
		P 286,817,799	P 247,749,545	P 197,700,502	P 135,586,068

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

Billed receivables arise mainly from tenants for rentals of office, retail, hotel and parking spaces. These are noninterest-bearing and are generally collectible on 30-day term.

All trade receivables are subject to credit risk exposure. However, the Assigned Properties do not identify specific concentrations of credit risk with regard to Trade Receivables as the amounts recognized consist of a large number of receivables from various customers.

A reconciliation of the allowance for impairment at the beginning and end of fiscal years 2020, 2019, 2018 and 2017 is shown below.

	Notes	**2020**	2019	2018	2017
Current:					
Balance at beginning of year		**P 3,992,990**	P 3,665,845	P 615,216	P -
Impairment loss	10	**5,747,456**	327,145	3,050,629	615,216
		9,740,446	3,992,990	3,665,845	615,216
Non-current:					
Balance at beginning of year		**11,743,914**	10,733,179	1,869,062	-
Impairment loss	10	**17,266,118**	1,010,735	8,864,117	1,869,062
		29,010,032	11,743,914	10,733,179	1,869,062
Balance at end of year	17.1	**P 38,750,478**	P 15,736,904	P 14,399,024	P 2,484,278

Impairment loss is presented under Other Operating Expenses in the combined carve-out statements of comprehensive income, respectively (see Notes 10 and 17.1).

6. INVESTMENT PROPERTIES

The Assigned Properties' investment property includes several buildings for mixed used, which are being leased out as office, retail and hotel, including their respective parking spaces.

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2020, 2019, 2018 and 2017 are shown below.

	Buildings and Improvements	Construction-in -progress	Total
June 30, 2020			
Cost	P 13,237,917,585	P -	P 13,237,917,585
Accumulated depreciation	(3,717,835,000)	-	(3,717,835,000)
Net carrying amount	**P 9,520,082,585**	**P -**	**P 9,250,082,585**
June 30, 2019			
Cost	P 13,237,917,585	P -	P 13,237,917,585
Accumulated depreciation	(3,386,887,060)	-	(3,386,887,060)
Net carrying amount	P 9,851,030,525	P -	P 9,851,030,525
June 30, 2018			
Cost	P 13,237,917,585	P -	P 13,237,917,585
Accumulated depreciation	(3,055,939,120)	-	(3,055,939,120)
Net carrying amount	P 10,181,978,465	P -	P 10,181,978,465
June 30, 2017			
Cost	P 13,237,917,585	P -	P 13,237,917,585
Accumulated depreciation	(2,724,991,180)	-	(2,724,991,180)
Net carrying amount	P 10,512,926,405	P -	P 10,512,926,405
July 1, 2016			
Cost	P 12,587,206,719	P 610,041,437	P 13,197,248,156
Accumulated depreciation	(2,398,110,183)	-	(2,398,110,183)
Net carrying amount	P 10,189,096,536	P 610,041,437	P 10,799,137,973

A reconciliation of the carrying amounts of buildings and improvements at the beginning and end of fiscal years 2020, 2019, 2018 and 2017 is shown below.

	2020	2019	2018	2017
Balance at beginning of year	**P9,851,030,525**	P10,181,978,465	P10,512,926,405	P10,189,096,536
Depreciation	**(330,947,940)**	(330,947,940)	(330,947,940)	(326,880,997)
Transfer from construction-in-progress	**-**	-	-	650,710,867
Balance at end of year	**P9,520,082,585**	P 9,851,030,525	P10,181,978,465	P10,512,926,405

A reconciliation of the carrying amount of construction-in-progress at the beginning and end of fiscal year 2017 is shown below.

Balance at beginning of year	P 610,041,437
Additions during the year	40,669,430
Transfer to buildings and improvements	(650,710,867)
Balance at end of year	P -

Rental income from investment property amounted to P2,039.9 million, P2,108.6 million, P2,107.7 million and P2,012.3 million in 2020, 2019, 2018, and 2017, respectively (see Note 8).

The direct operating costs, including depreciation, incurred by the Assigned Properties relating to investment properties in all years presented is disclosed in Note 9. All investment properties generated rental income.

The operating lease commitments of the Assigned Properties as lessors are fully disclosed in Note 16.1.

The fair values of the Assigned Properties' investment properties as of June 30, 2020, 2019, 2018 and 2017 were determined based on appraisal reports by an independent real property appraiser, which uses the market data approach (see Note 19.3).

7. DEPOSITS AND OTHER LIABILITIES

The combined carve-out balance of this account consists of:

	Notes	**2020**	2019	2018	2017
Current:					
Security deposits	16.1	**P 139,339,172**	P 72,687,544	P 85,124,214	P 27,058,285
Advance rent	16.1	**136,516,642**	144,333,370	77,337,888	57,554,297
Deferred credits		**26,880,280**	25,367,995	24,586,337	25,243,571
Others		**26,557,039**	25,415,677	23,326,867	21,647,492
		329,293,133	267,804,586	210,375,306	131,503,645
Non-current:					
Security deposits	13.1, 16.1	**399,825,042**	407,729,329	363,723,915	393,200,519
Advance rent	13.1, 16.1	**273,107,744**	216,362,192	286,450,569	315,626,360
Deferred credits		**68,794,755**	76,914,349	91,594,160	111,554,047
		741,727,541	701,005,870	741,768,644	820,380,926
		P1,071,020,674	P 968,810,456	P 952,143,950	P 951,884,571

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three months' rent for office and six months' rent for commercial and will be refunded to the lessee at the end of the lease term.

Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts.

A reconciliation of security deposits at the beginning and end of fiscal years 2020, 2019, 2018 and 2017 is shown below:

	2020	2019	2018	2017
Balance at beginning of year	**P 480,416,873**	P 448,848,129	P 420,258,804	P 354,046,758
Addition	**30,735,902**	6,812,672	4,825,242	43,930,677
Accretion of interest	**28,011,439**	24,756,072	23,764,083	22,281,369
Balance at end of year	**P 539,164,214**	P 480,416,873	P 448,848,129	P 420,258,804

Accretion of interest is presented as Interest Expense in the combined carve-out statements of comprehensive income.

Deferred credits pertain to the difference between the nominal values of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method.

A reconciliation of deferred credits at the beginning and end of fiscal years 2020, 2019, 2018 and 2017 is shown below:

	2020	2019	2018	2017
Balance at beginning of year	**P 102,282,344**	P 116,180,497	P 136,797,618	P 145,088,137
Addition	**22,324,611**	12,437,871	5,622,539	17,572,462
Amortization	**(28,931,920)**	(26,336,024)	(26,239,660)	(25,862,981)
Balance at end of year	**P 95,675,035**	P 102,282,344	P 116,180,497	P 136,797,618

Amortization of deferred credits is presented as part of Rental Income in the combined carve-out statements of comprehensive income (see Note 8).

Others include accrued expenses, output VAT and deferred output VAT.

8. RENTAL INCOME

The Assigned Properties derive its revenues from contracts with customers through leasing real properties. The breakdown of rental income as reported in the combined carve-out statements of comprehensive income is shown below.

	Note	**2020**	2019	2018	2017
Office		**P 1,831,883,572**	P1,880,571,501	P1,882,354,231	P 1,790,906,177
Retail		**120,911,530**	143,239,560	140,705,962	137,453,095
Hotel		**56,860,776**	56,860,776	56,860,776	56,860,776
Parking		**1,294,235**	1,570,706	1,571,122	1,264,361
Amortization of deferred credits	7	**28,931,920**	26,336,024	26,239,660	25,862,981
		P2,039,882,033	P2,108,578,567	P2,107,731,751	P2,012,347,390

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to P44.7 million, P32.5 million, P72.8 million and P108.8 million for the years ended June 30, 2020, 2019, 2018 and 2017, respectively.

Rental income includes variable lease payments amounting to P15.3 million, P18.3 million P17.9 million and P11.7 million for the years ended June 30, 2020, 2019, 2018 and 2017, respectively, all of which do not depend on an index or a rate.

9. COST OF SERVICES

The nature of the combined carve-out cost of services are as follows:

	Note	**2020**	2019	2018	2017
Depreciation	6	**P 330,947,940**	P 330,947,940	P 330,947,940	P 326,880,997
Taxes and licenses		**16,479,434**	15,361,866	13,923,467	9,453,196
		P 347,427,374	P 346,309,806	P 344,871,407	P 336,334,193

10. OTHER OPERATING EXPENSES

The details of the combined carve-out balances are presented below.

	Notes	**2020**	2019	2018	2017
Taxes and licenses		**P 30,746,012**	P 30,129,959	P 28,165,647	P 26,323,035
Impairment loss	5	**23,013,574**	1,337,880	11,914,746	2,484,278
Salaries and employee benefits	11	**12,469,846**	11,954,651	11,461,700	10,990,000
Commission		**8,703,190**	17,811,637	969,160	35,126,664
Rent	16.2	**1,376,836**	1,336,734	1,297,800	1,260,000
Association dues		**1,194,860**	2,519,408	686,529	686,529
Utilities		**183,578**	178,231	173,040	168,000
Transportation		**65,564**	63,654	61,800	60,000
Miscellaneous		**98,344**	95,479	92,700	90,001
		P 77,851,804	P 65,427,633	P 54,823,122	P 77,188,507

11. EMPLOYEE BENEFITS

Combined carve-out expenses recognized for salaries and employee benefits are presented below (see Note 10).

	2020	2019	2018	2017
Salaries and wages	**P 8,219,138**	P 7,827,750	P 7,455,000	P 7,827,750
Other short-term benefits	**4,250,708**	4,126,901	4,006,700	3,162,250
	P 12,469,846	P 11,954,651	P 11,461,700	P 10,990,000

12. TAXES

The components of tax expense as reported in the combined carve-out statements of comprehensive income are as follows:

	2020	2019	2018	2017
Current tax expense – Regular corporate income tax (RCIT) at 30%	**P 469,184,743**	P 491,800,374	P 486,265,236	P 440,001,413
Deferred tax expense tax relating to origination of temporary differences	**6,516,538**	9,351,157	18,274,033	31,887,100
	P 475,701,281	P 501,151,531	P 504,539,269	P 471,888,513

A reconciliation of tax on pretax profit or loss computed at the applicable statutory rates to tax expense or tax income reported in the combined carve-out statements of comprehensive income is as follows:

	2020	2019	2018	2017
Tax on pretax profit at 30%	**P 475,977,425**	P 501,625,517	P 505,281,942	P 472,962,996
Tax effects of:				
Non-taxable income	**(8,679,576)**	(7,900,807)	(7,871,898)	(7,758,894)
Non-deductible expense	**8,403,432**	7,426,821	7,129,225	6,684,411
	P 475,701,281	P 501,151,531	P 504,539,269	P 471,888,513

The combined carve-out net deferred tax liabilities as at June 30 relate to the following:

	2020	2019	2018	2017
Rental income differential	**P 77,653,971**	P 64,233,361	P 54,480,840	P 32,632,383
Allowance for ECL	**(11,625,143)**	(4,721,071)	(4,319,707)	(745,283)
	P 66,028,828	P 59,512,290	P 50,161,133	P 31,887,100

The combined carve-out net deferred tax expense as at June 30 relate to the following:

	2020	2019	2018	2017
Rental income differential	**P 13,420,610**	P 9,752,521	P 21,848,457	P 32,632,383
Allowance for ECL	**(6,904,072)**	(401,364)	(3,574,424)	(745,283)
	P 6,516,538	P 9,351,157	P 18,274,033	P 31,887,100

In 2020, 2019, 2018 and 2017, the Assigned Properties are subject to minimum corporate income tax which is computed at 2% of gross income, as defined under the tax regulations, or to RCIT, whichever is higher. RCIT was reported in all years presented.

In 2020, 2019, 2018 and 2017, the Assigned Properties used itemized deductions in computing for its income tax due.

13. RELATED PARTY TRANSACTIONS

The Assigned Properties' related parties include related parties under common ownership as described below. A summary of the Assigned Properties' combined carve-out transactions and outstanding balances with its related parties follows:

Related Party Category	Notes	Amount of Transactions 2020	2019	2018	2017	Outstanding Receivable (Payable) 2020	2019	2018	2017
Related parties under common ownership:									
Rendering of services	5, 8, 13.1	**P 100,589,979**	P 72,978,744	P 56,278,045	56,156,073	**P 37,377,862**	P 21,968,211	P 9,342,088	P 6,768,136
Security deposits	7, 13.1	**5,809,843**	1,831,369	440,153	5,506,837	**(13,588,202)**	(7,778,359)	(5,946,990)	(5,506,837)
Advance rent	7, 13.1	**(36,837)**	10,454,810	(791,653)	791,653	**(10,417,973)**	(10,454,810)	-	(791,653)
Key management personnel –									
Compensation	13.2	**5,209,313**	4,961,250	4,725,000	4,500,000	**-**	-	-	-

13.1 Rendering of Services to Related Parties

The Assigned Properties lease some of its investment properties to other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from five to 25 years, with renewal options, and include annual escalation rates of 5% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental Income in the combined carve-out statements of comprehensive income (see Note 8). The related outstanding receivables from these transactions, which are generally collectible in cash upon demand, unsecured and noninterest-bearing, are presented as part of Trade receivables under the Trade Receivables account in the combined carve-out statements of financial position (see Note 5).

Advanced rentals and security deposits relating to this transaction are presented under the current and non-current portion of Deposits and Other Liabilities account in the combined carve-out statements of financial position (see Note 7).

13.2 Key Management Personnel Compensation

Key management personnel compensation includes salaries and employee benefits amounting to P5.2 million, P5.0 million, P4.7 million and P4.5 million in 2020, 2019, 2018 and 2017, respectively, which are presented as part of Salaries and employee benefits under Other Operating Expenses in the combined carve-out statements of comprehensive income (see Note 10).

14. EQUITY

The equity section presented in the combined carve-out statement of financial position is prepared by combining the historical accumulated earnings of the Assigned Properties, adjusted for the effects of elimination of intra-company transactions among and within MC, and reduced by distributions of invested equity. Accordingly, the amounts of Invested Equity shown in the combined carve-out statement of financial position do not necessarily reflect the consolidated amounts of what MC's shareholders would have been had the infusion of assets as disclosed in Note 1.2 been completed, nor had it been a separate stand-alone entity, during the periods presented. The combined carve-out financial statements neither represent the financial information of MC prepared on a basis as if MC was operating solely, nor do they give an indication of the results, cash flows and financial position of MC in the future.

15. EARNINGS PER SHARE

As the combined carve-out financial statements have no legal capital and the financial information has been prepared on a combined basis, it is not possible to measure EPS. Accordingly, the requirement of PAS 33, *Earnings Per Share*, to disclose basic/diluted EPS has not been complied within these combined carve-out financial statements.

16. COMMITMENTS AND CONTINGENCIES

16.1 Operating Lease Commitments – Assigned Properties as Lessors

The Assigned Properties are lessors under several operating leases covering real estate properties for office and commercial use (see Note 6). The combined carve-out future minimum lease receivable under these agreements are shown below.

	2020	2019	2018	2017
Within one year	**P1,932,529,953**	P1,925,192,582	P1,860,777,482	P 1,887,328,657
After one year but not more than two years	**1,626,255,825**	1,844,094,666	1,792,604,345	1,846,346,200
After two years but not more than three years	**1,341,948,638**	1,555,936,603	1,706,636,331	1,777,585,227
After three years but not more than four years	**870,382,657**	1,271,213,212	1,413,350,931	1,692,332,823
After four years but not more than five years	**540,837,273**	799,437,349	1,123,577,387	1,412,911,190
More than five years	**935,252,096**	1,009,874,403	1,506,377,869	2,629,955,256
	P7,247,206,442	P8,405,748,815	P9,403,324,345	P11,246,459,353

The Assigned Properties is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Assigned Properties' revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management's expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Assigned Properties may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, the Assigned Properties require security deposits and advanced rentals representing three months' and six months' rent from office and commercial tenants, respectively (see Note 7).

16.2 Operating Lease Commitments – Assigned Properties as Lessees

The Assigned Properties are lessees under other short-term operating leases. Rental payments arising from this transaction amounted to P1.4 million in 2020 and P1.3 million each in 2019, 2018 and 2017, and is presented as Rent under Other Operating Expenses in the combined carve-out statements of comprehensive income (see Note 10).

16.3 Others

There are other commitments and contingent liabilities that arise in the normal course of the operations of the Assigned Properties which are not reflected in the combined carve-out financial statements. The management of the Assigned Properties is of the opinion that losses, if any, from these items will not have any material effect on their combined carve-out financial statements.

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Assigned Properties are exposed to certain financial risks which result from its operating, investing and financing activities. The financial liabilities were issued to raise funds for the Assigned Properties' capital expenditures.

The Assigned Properties do not actively engage in the trading of financial assets for speculative purposes.

17.1 Credit Risk

The Assigned Properties' credit risk is attributable to trade receivables. The Assigned Properties maintain defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Assigned Properties' policy is to deal only with creditworthy counterparties. In addition, security deposits and advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the combined carve-out statements of financial position as summarized below.

	Notes	**2020**	2019	2018	2017
Cash	4	**P 500,000**	P 500,000	P 500,000	P 500,000
Trade receivables	5	**286,817,799**	247,749,545	197,700,502	135,586,068
		P 287,317,799	P 248,249,545	P 198,200,502	P 136,086,068

The Assigned Properties apply the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

The expected loss rates are based on payment profiles of receipts over a period of 12 months before June 30, 2020, 2019, 2018 and 2017 and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Assigned Properties identify headline inflation rate and consumer price index to be the most relevant factors and accordingly adjusts historical loss rates based on expected changes in these factors. The total loss allowance based on the provision matrix as at June 30, 2020, 2019, 2018 and 2017 amounted to P38.8 million, P15.7 million, P14.4 million and P2.5 million, respectively (see Note 5).

The Assigned Properties consider credit enhancements in determining the expected credit loss. Trade receivables are collateralized by advanced rental and security deposits received from lessees. The estimated fair value of collateral and other security enhancements held against trade receivables are presented below.

		Gross Maximum Exposure		Fair Value of Collaterals		Net Exposure
2020	**P**	**286,817,799**	**P**	**928,545,358**	**P**	**-**
2019		247,749,545		815,470,236		-
2018		197,700,502		803,509,233		-
2017		135,586,068		793,579,608		-

17.2 Liquidity Risk

The Assigned Properties manage its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a 6-month and one-year period are identified monthly.

The Assigned Properties maintain cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at June 30, 2020, 2019, 2018 and 2017, the Assigned Properties' financial liabilities, which pertain to security deposits, have contractual maturities which are presented below (see Note 7).

		Within One Year		One to Five Years		More Than Five Years
2020	**P**	**49,007,361**	**P**	**410,638,716**	**P**	**183,750,794**
2019		32,159,026		268,484,952		289,692,381
2018		21,024,194		212,552,436		337,509,188
2017		9,340,480		133,029,250		418,268,304

18. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

18.1 Carrying Amounts and Fair Value by Category

Except for security deposits, which is measured at amortized cost, as presented below, the carrying amounts of other financial instruments as of June 30, 2020, 2019, 2018 and 2017, approximate their fair values; hence, no further comparison between the carrying amounts and fair values, as well as fair value hierarchy is presented.

	Note	**2020**	2019	2018	2017
Carrying amounts	7	**P 539,164,214**	P 480,416,873	P 448,848,129	P 420,258,804
Fair value		**518,920,972**	454,774,674	439,720,778	420,398,951

See Note 2.3 for a description of the accounting policies for each category of financial instruments. A description of the Assigned Properties' risk management objectives and policies for financial instruments is provided in Note 17.

18.2 Offsetting of Financial Assets and Financial Liabilities

The Assigned Properties have not set-off financial instruments in 2020, 2019, 2018 and 2017 and do not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Assigned Properties' outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

19. FAIR VALUE MEASUREMENT AND DISCLOSURE

19.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

19.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Assigned Properties' financial assets which are not measured at fair value in the combined carve-out statements of financial position but for which fair value is disclosed include cash, which are categorized as Level 1, and trade and other receivables is categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to security deposits and due to parent company, which are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

19.3 Fair Value Measurement of Investment Properties

As of June 30, 2020, 2019, 2018 and 2017, the Assigned Properties' investment properties amounting to P47.1 billion, P49.5 billion, P43.9 billion and P39.4 billion, respectively, are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the Assigned Properties' investment properties (see Note 6) are determined on the basis of the appraisals performed by Intech Property Appraisal, Inc., an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Assigned Properties' management with respect to the determination of the inputs such as the size, age, and condition of the properties (buildings), and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Assigned Properties' investment property is its current use.

The independent appraiser used Market Data Approach in determining the fair values of the investment properties. Market Data Approach recognizes that the prices determined by the market. Market value can, therefore, be calculated from a study of market prices for assets that compete with one another for market share. This comparative approach considers the sales or offers of similar or substitute asset and related market date and establishes a value estimate by processes involving comparison. In general, an asset being valued (a subject asset) is compared with sales of similar asset that have been transacted in the market. The technique involves direct comparison of the subject asset with similar assets for which actual date on recent market transactions are available. Although sales are the most important, analysis of listings and prices offered for similar assets that compete with the subject may contribute to greater understanding of the market.

The fair values of the buildings are sensitive to the changes in the sales price and listings of comparable property. A significant increase or decrease in the price per square meter of comparable buildings may result to a significant increase or decrease in profit or loss.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020, 2019, 2018 and 2017.

20. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Assigned Properties' capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Assigned Properties manage their capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio, based on combined carve-out balances, as computed below.

	2020	2019	2018	2017
Total liabilities	**P 1,508,697,903**	P 1,418,479,203	P 1,388,190,739	P 1,331,195,439
Total equity	**8,315,181,916**	8,697,280,301	9,007,350,095	9,331,740,502
Liabilities-to-equity ratio	**0.18 : 1.00**	0.16 : 1.00	0.15 : 1.00	0.14 : 1.00

21. EVENTS AFTER THE REPORTING PERIOD

On March 26, 2021, R.A. No. 11534, amending certain provisions of the NIRC, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The CREATE Act aims to lower certain corporate taxes and rationalize tax incentives given to certain taxpayers. Given that the CREATE Act was signed after the end of the current reporting period, the Assigned Properties determined that this event is a non-adjusting subsequent event. Also, the Assigned Properties have determined that the changes brought about by the CREATE Act do not have significant impact on the Assigned Properties' combined carve-out financial statements with respect to current taxes. However, the recognized net deferred tax liabilities as of June 30, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized net deferred tax liabilities in 2020 by P11.0 million and will be credited to 2021 profit or loss as provided in the applicable financial reporting standard.

P&A Grant Thornton

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Combined Carve-out Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
MREIT, Inc.
(A Subsidiary of Megaworld Corporation)
(Formerly Megaworld Holdings, Inc.)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the combined carve-out financial statements of Megaworld REIT Properties [Megaworld Corporation's Real Estate Properties to be transferred to MREIT, Inc. (the Assigned Properties)] as at June 30, 2020, 2019, 2018 and 2017 and for the years then ended, and have issued our report thereon dated August 3, 2021. Our audits were made for the purpose of forming an opinion on the basic combined carve-out financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic combined carve-out financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Assigned Properties' management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic combined carve-out financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined carve-out financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 3, 2021

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao
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SEC Accreditation No. 0002

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MEGAWORLD REIT PROPERTIES
List of Supplementary Information
June 30, 2020

Megaworld REIT Properties
Schedule A - Financial Assets
June 30, 2020

The Assigned Properties do not have financial assets classified under available-for-sale, fair value through profit or loss and held to maturity as of June 30, 2020.

Megaworld REIT Properties
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
June 30, 2020

The Assigned Properties do not have amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) above P1 million or 1% of total assets as of June 30, 2020.

Megaworld REIT Properties
Schedule C - Amounts Receivable/ Payable from/ to Related Parties which are Eliminated During the Consolidation of Combined Carved-out Financial Statements
June 30, 2020

			Deductions				
Name and designation of debtor	**Balance at the beginning of period**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Non current**	**Balance at the end of the period**
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Megaworld REIT Properties
Schedule D - Long-Term Debt
June 30, 2020

Title of issue and type of obligation	***Amount authorized by indenture***	***Amount shown under caption"Current portion of long-term debt" in related balance sheet***	***Amount shown under caption"Long-Term Debt" in related balance sheet***
N/A	N/A	N/A	N/A

Megaworld REIT Properties
Schedule E - Indebtedness to Related Parties (Long-term Loans from Related Companies)
June 30, 2020

Name of Related Party	***Balance at Beginning of Period***	***Balance at End of Period***
N/A	N/A	N/A

Megaworld REIT Properties
Schedule F - Guarantees of Securities of Other Issuers
June 30, 2020

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	***Title of Issue of Each Class of Securities Guaranteed***	***Amount shown under caption"Current portion of long-term debt" in related balance sheet***	***Amount shown under caption"Long-Term Debt" in related balance sheet***
N/A	N/A	N/A	N/A

Megaworld REIT Properties
Schedule G - Capital Stock
June 30, 2020

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
N/A	N/A	N/A	N/A	N/A	N/A	N/A

P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicator

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
MREIT, Inc.
(A Subsidiary of Megaworld Corporation)
(Formerly Megaworld Holdings, Inc.)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the combined carve-out financial statements of Megaworld REIT Properties [Megaworld Corporation's Real Estate Properties to be transferred to MREIT, Inc. (the Assigned Properties)] as at June 30, 2020, 2019, 2018 and 2017 and for the years then ended, and have issued our report thereon dated August 3, 2021. Our audits were made for the purpose of forming an opinion on the basic combined carve-out financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Assigned Properties' management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic combined carve-out financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Assigned Properties' combined carve-out financial statements as at June 30, 2020, 2019, 2018 and 2017 and for each of the four years ended June 30, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
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August 3, 2021

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MEGAWORLD REIT PROPERTIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2020

Ratio	Formula	2020	2019	2018	2017
Current ratio	Current assets / Current liabilities	0.13	0.12	0.11	0.10
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)	0.10	0.09	0.09	0.07
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)*	N/A	N/A	N/A	N/A
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)*	N/A	N/A	N/A	N/A
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.18	1.16	1.15	1.14
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	57.64	68.54	71.87	71.76
Return on equity	Net profit / Average total stockholders' equity	0.13	0.13	0.13	0.11
Return on assets	Net profit/ Average total assets	0.11	0.11	0.11	0.10
Net profit margin	Net profit / Total revenues	0.54	0.56	0.56	0.55

*The Assigned Properties have no interest bearing loans and borrowings and bonds and notes payable as of the periods covered

MREIT, INC.

18th Floor Alliance Global Tower 36th St. cor. 11th Avenue, Uptown Bonifacio, Taguig City

May 31, 2021

Securities and Exchange Commission
Ground Flr – North Wing, PICC Secretariat Building
Philippine International Convention Center (PICC) Complex
Roxas Boulevard, Pasay City

The management of **MREIT, Inc.** (the Company), is responsible for the preparation and fair presentation of the combined carve-out interim financial statements including the schedules attached therein as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020 covering the ten (10) real property assets to be transferred to the Company, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined carve-out interim financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process. The Board of Directors reviews and approves the combined carve-out interim financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditor appointed by the stockholders, has audited the combined carve-out interim financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCISCO C. CANUTO
Chairman of the Board

KEVIN ANDREW L. TAN
President

GIOVANNI C. NG
Treasurer

Signed this 31st day of May, 2021

P&A Grant Thornton

Report of Independent Auditors

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
MREIT, Inc.
(A Subsidiary of Megaworld Corporation)
(Formerly Megaworld Holdings, Inc.)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

We have audited the combined carve-out interim financial statements of Megaworld REIT Properties [Megaworld Corporation's Real Estate Properties to be transferred to MREIT, Inc. (the Assigned Properties)], which comprise the combined carve-out interim statement of financial position as at March 31, 2021 and the combined carve-out interim statements of comprehensive income, combined carve-out interim statements of changes in equity and combined carve-out interim statements of cash flows for the nine months ended March 31, 2021 and 2020, and notes to the combined carve-out interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined carve-out interim financial statements present fairly, in all material respects, the financial position of the Assigned Properties as at March 31, 2021, and their financial performance and their cash flows for the nine months ended March 31, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined Carve-out Interim Financial Statements* section of our report. We are independent of the Assigned Properties in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the combined carve-out interim financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

We have also audited the combined carve-out financial statements of the Assigned Properties as of and for the year ended June 30, 2020, including the combined carve-out statement of financial position, which is presented herein for comparative purposes, on which we have rendered our report thereon dated August 3, 2021.

The accompanying combined carve-out interim financial statements have been revised and reissued to update certain disclosures in Notes 2, 3 and 13. This report supersedes our audit report on the previously issued combined carve-out interim financial statements dated May 31, 2021.

Responsibilities of Management and Those Charged with Governance for the Combined Carve-out Interim Financial Statements

Management is responsible for the preparation and fair presentation of the combined carve-out interim financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of combined carve-out interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined carve-out interim financial statements, management is responsible for assessing the Assigned Properties' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Assigned Properties or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Assigned Properties' financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Carve-out Interim financial statements

Our objectives are to obtain reasonable assurance about whether the combined carve-out interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined carve-out interim financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined carve-out interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Assigned Properties' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assigned Properties' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined carve-out interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Assigned Properties to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined carve-out interim financial statements, including the disclosures, and whether the combined carve-out interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
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August 3, 2021

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MEGAWORLD REIT PROPERTIES

(Megaworld Corporation's Assigned Properties to MREIT, Inc.)

COMBINED CARVE-OUT INTERIM STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

(With Comparative Combined Carve-out Figures as of June 30, 2020)

(Amounts in Philippine Pesos)

	Notes	March 31, 2021	June 30, 2020
ASSETS			
CURRENT ASSETS			
Cash	4	**P 500,000**	P 500,000
Trade receivables - net	5	**71,864,582**	71,567,628
Prepayments and other current assets		**20,599,292**	16,479,435
Total Current Assets		**92,963,874**	88,547,063
NON-CURRENT ASSETS			
Trade receivables - net	5	**235,185,386**	215,250,171
Investment properties - net	6	**9,271,871,632**	9,520,082,585
Total Non-current Assets		**9,507,057,018**	9,735,332,756
TOTAL ASSETS		**P 9,600,020,892**	P 9,823,879,819
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Deposits and other liabilities	7	**P 283,787,545**	P 329,293,133
Income tax payable		**227,470,946**	371,648,401
Total Current Liabilities		**511,258,491**	700,941,534
NON-CURRENT LIABILITIES			
Deposits and other liabilities	7	**754,465,721**	741,727,541
Deferred tax liabilities - net	12	**63,769,521**	66,028,828
Total Non-current Liabilities		**818,235,242**	807,756,369
Total Liabilities		**1,329,493,733**	1,508,697,903
EQUITY			
Invested equity	14	**8,270,527,159**	8,315,181,916
TOTAL LIABILITIES AND EQUITY		**P 9,600,020,892**	P 9,823,879,819

See Notes to Combined Carve-out Interim Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
COMBINED CARVE-OUT INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
RENTAL INCOME	8	**P 1,587,082,791**	P 1,495,940,402
COST OF SERVICES	9	**(260,570,531)**	(260,570,531)
GROSS PROFIT		**1,326,512,260**	1,235,369,871
OTHER OPERATING EXPENSES	10	**(61,769,894)**	(45,126,462)
OPERATING PROFIT		**1,264,742,366**	1,190,243,409
OTHER INCOME (CHARGES) – Net			
Interest expense	7	**(21,741,665)**	(20,401,242)
Gain on reversal of allowance for impairment	5	**13,203,907**	-
		(8,537,758)	(20,401,242)
PROFIT BEFORE TAX		**1,256,204,608**	1,169,842,167
TAX EXPENSE	12	**(303,048,745)**	(350,739,054)
NET PROFIT		**953,155,863**	819,103,113
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**P 953,155,863**	P 819,103,113

See Notes to Combined Carve-out Interim Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
COMBINED CARVE-OUT INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Note	**2021**	2020
EQUITY	14		
Invested Equity			
Balance at beginning of year		**P 8,315,181,916**	P 8,697,280,301
Distributions of invested equity		**(997,810,620)**	(1,015,849,883)
Total comprehensive income		**953,155,863**	819,103,113
Balance at end of year		**P 8,270,527,159**	P 8,500,533,531

See Notes to Combined Carve-out Interim Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
COMBINED CARVE-OUT INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 1,256,204,608	P 1,169,842,167
Adjustments for:			
Depreciation expense	6	248,210,953	248,210,953
Interest expense	7	21,741,665	20,401,242
Gain on reversal of allowance for impairment	5	(13,203,907)	-
Impairment loss	5	-	1,523,277
Operating profit before working capital changes		1,512,953,319	1,439,977,639
Increase in trade receivables		(7,028,262)	(20,163,804)
Increase in prepayments and other current assets		(4,119,857)	(4,119,857)
Increase (decrease) in deposits and other liabilities		(54,509,073)	63,065,904
Cash generated from operations		1,447,296,127	1,478,759,882
Cash paid for income taxes		(449,485,507)	(462,909,999)
Net Cash From Operating Activities		997,810,620	1,015,849,883
CASH FLOWS FROM A FINANCING ACTIVITY			
Distributions of invested equity	14	(997,810,620)	(1,015,849,883)
NET INCREASE IN CASH		-	-
CASH AT BEGINNING OF YEAR		500,000	500,000
CASH AT END OF YEAR		P 500,000	P 500,000

See Notes to Combined Carve-out Interim Financial Statements.

MEGAWORLD REIT PROPERTIES
(Megaworld Corporation's Assigned Properties to MREIT, Inc.)
NOTES TO COMBINED CARVE-OUT INTERIM FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020
(With Comparative Combined Carve-out Figures as of June 30, 2020)
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Megaworld Corporation (the Company or MC) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction, and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces. All of the Company's common shares are listed at the Philippine Stock Exchange.

Alliance Global Group, Inc. (AGI or the Parent Company), also a publicly-listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-entertainment, and gaming businesses.

The registered office address and principal place of business of the Company is located at 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.2 MREIT, Inc. and Megaworld Corporation's REIT Properties

On February 1, 2021, the Company subscribed to and paid for 12,400,000 common shares of MREIT, Inc. (MREIT) with par value of P100 per share or a total subscription price of P1,240,000,000. As a result of the subscription, the Company obtained control over MREIT as at February 1, 2021 and its ownership interest became 99.20% of the total issued and outstanding capital stock of MREIT then.

MREIT, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. MREIT's primary purpose, as amended in April 7, 2021, is to engage in the business of a real estate investment trust, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009* (the "REIT Act"), including its implementing rules and regulations, and other applicable laws.

On April 7, 2021, the BOD and stockholders of the Company approved the property-for-share swap transaction with MREIT (the Property-for-Share Swap). On May 3, 2021, the Company and MREIT entered into a Deed of Exchange of Property for Shares in relation to the Property-for-Share Swap. Subject to the SEC's confirmation of the valuation of the properties, as filed with the SEC on the same date, and to the issuance by the Bureau of Internal Revenue (BIR) of the Certificate Authorizing Registration (CAR), the Company transferred, assigned and conveyed absolutely in favor of MREIT all of its rights, title and interests in certain real properties (Megaworld REIT Properties or the Assigned Properties), free from liabilities and debts and free from all liens and encumbrances, in exchange for MREIT's 1,282,120,381 common shares with an issue price of P38.38 per share broken down as par value of P1 per share and additional paid-in capital of P47,920.3 million. The consummation of the Property-for-Share Swap will further increase the Company's ownership interest in MREIT to 99.6% of the total issued and outstanding capital stock.

The corresponding fair values of the Assigned Properties are as follows:

Located in Bagumbayan, Murphy, Quezon City:	
1800 Eastwood Avenue	P 6,947,630,000
1880 Eastwood Avenue	6,748,764,000
E Commerce Building	4,188,040,000
Located in Mandurriao, Iloilo City:	
Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower	2,062,266,020
One Techno Place	1,508,694,600
Located in Barangay Pinagsama, Taguig City:	
One World Square	7,528,990,000
Two World Square	5,257,741,000
Three World Square	5,240,508,000
8/10 Upper Mckinley	4,924,563,000
18/20 Upper Mckinley	4,795,211,000
	P49,202,407,620

Likewise on May 3, 2021, lease agreements were entered into between the Company and MREIT over the land on which the Assigned Properties stood for a period of 25 years until May 3, 2046, renewable for another 25 years, at the option of MREIT, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, MREIT shall pay the Company commencing January 1, 2023, rent equivalent to 5% of gross rental income for office, retail and commercial properties, and 3% of gross rental income for hotel properties.

On May 19, 2021, in furtherance of the transfer, assignment and conveyance in favor of MREIT of all of the Company's rights, title and interests in the Assigned Properties in exchange for MREIT's common shares, the Company and MREIT entered into a Deed of Assignment of Leases assigning all of the Company's rights and interests in and to the Contracts of Lease over portions of the Assigned Properties leased out to various entities effective upon the issuance of MREIT's common shares in the name of the Company under the Deed of Exchange of Property and Shares.

It bears to stress that R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, removed the requirement of prior confirmation of the tax-free nature of an exchange under Section 40(C)(2) of the National Internal Revenue Code of 1997 from the BIR for purposes of availing of the tax exemption. As such, only a tax clearance or CAR need be obtained from the relevant Revenue District Office. The CAR must be obtained before legal title to the Properties can be transferred to the Company.

As of the date the combined carve-out interim financial statements were authorized for issue, the requisite CARs authorizing the transfer of legal title to the Assigned Properties from the Company to MREIT have already been obtained. Accordingly, tax declarations over the Assigned Properties were available in the name of MREIT. Meanwhile, the SEC is yet to certify the approval of the valuation of the Property-for-Share Swap in order that MREIT can issue 1,282,120,381 common shares to the Company. Hence, the Property-for-Share Swap has not yet been consummated.

Prior to approval and effectivity of the Property-for-Share Swap, the accompanying combined carve-out interim financial statements have been prepared to provide the historical financial position and performance and cash flows of the Assigned Properties as at March 31, 2021 and for the nine months ended March 31, 2021 and 2020.

1.3 Amendments of Articles of Incorporation and By-Laws of MREIT

On April 7, 2021, majority of the members of the BOD and stockholders of MREIT approved the amendments to the Articles of Incorporation and By-Laws of MREIT, which include, among others, the following:

- change of name from Megaworld Holdings, Inc. to MREIT, Inc.;

- change in primary purpose from engaging in investment activities as an investment holdings company to engaging in the business of a real estate investment trust, as provided under the REIT Act and other applicable laws, which business includes: dealing with (1) income-generating real estate; (2) real estate, real estate-related assets, investments and instruments; and, (3) rent, interest, dividends and income arising from its property and investments;

- change in the secondary purposes to align with its primary purpose;

- change of principal office from 30^{th} Floor, Alliance Global Tower to 18^{th} Floor, Alliance Global Tower, 36^{th} Street cor. 11^{th} Avenue, Uptown Bonifacio, Taguig City;

- change in number of directors from five to seven;

- change in par value of common shares from P100 to P1, resulting in an increase in the number of authorized common shares from 50,000,000 to 5,000,000,000 and subscribed common shares from 12,500,000 to 1,250,000,000; and,

- change in the fiscal year to begin on the first day of July and end on the last day of June of each year.

On May 19, 2021, the SEC approved the amendments to MREIT's Articles of Incorporation and By-Laws. The related approval from the BIR was obtained on May 20, 2021.

1.4 Impact of Covid-19 to the Company's Operations

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Assigned Properties' business operations. This resulted in a wide-ranging business suspension – disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market. The situation discussed in the succeeding page occurred as of March 31, 2021 and thereafter.

Rental income dropped by 6% primarily due to temporary closure of mall and commercial spaces, rent concessions and lower foot traffic upon reopening. Concession of rent and other related charges amounted to P57.5 million. Other observations are presented below.

- offered deferment of monthly rent without penalty until December 2020;
- waived certain rental charges of retail partners and commercial tenants;
- registered early termination and restructuring of lease contracts for some commercial tenants;
- various community quarantine measures resulted in the temporary closure of commercial establishments with the exception of essential establishments, resulting in a decline in foot traffic; and,
- business process outsourcing (BPO) offices remained operational even during the community quarantine.

In response to this matter, the Assigned Properties have taken the following actions:

- assisted tenants in implementing social distancing measures; and,
- continues to work closely with tenants to determine and address their needs.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Assigned Properties would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Assigned Properties' ability to continue as a going concern.

1.5 Approval of Combined Carve-out Interim Financial Statements

The combined carve-out interim financial statements of the Assigned Properties as of March 31, 2021 and for the nine months ended March 31, 2021 and 2020 (including the comparative combined carve-out statement of financial position as of June 30, 2020) were approved and authorized for issue by MREIT's BOD on August 3, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these combined carve-out interim financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Combined Carve-out Interim Financial Statements

(a) Basis of Preparation

The accompanying combined carve-out interim financial statements have been prepared by separating the historical financial information of the Assigned Properties arising from the Property-for-Share Swap out of the Company's consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRS). Furthermore, these combined carve-out interim financial statements provide comparative information in respect of the previous periods.

MREIT started to prepare its statutory financial statements as of and for the period ended December 31, 2020 and as of and for the three months ended March 31, 2021. There are no statutory financial statements for all other periods shown in these combined carve-out interim financial statements as MREIT was only incorporated on October 2, 2020 (see Note 1.2).

The statutory financial information of MREIT, as separate legal entity, is different from the financial information of the Assigned Properties which is the subject to the accompanying combined carve-out interim financial statements.

Until the Property-for-Share Swap is approved by the SEC, said financial information shall remain to be presented as a part of the Company's consolidated financial statements and not in the standalone financial statements of the MREIT.

The accompanying combined carve-out interim financial statements of the Assigned Properties have been prepared for inclusion in the REIT plan for submission to the SEC. PFRS do not include specific guidance for preparation of combined and carved out interim financial statements. The principles used in the preparation of combined and carved out interim financial statements of the Assigned Properties are as follows:

- The combined carve-out interim financial statements are based on historical income and expenses, assets, liabilities, equity and cash flows of the combining assets. Equity is determined by combining the historical accumulated earnings of the combining assets, adjusted for the effects of elimination of intra-company transactions among and within the Company. The individual financial information of each of the combining assets are prepared in accordance with PFRS.

- The historical financial information of the combined assets was carved out from the accounting systems and records of the Company, which uses December 31 calendar year. Meanwhile, the historical financial information as at and for the three months ended March 31, 2021 was carved out from Company's interim financial statements of the same period. The carve-out financial information presented herein reflects income and expenses, assets, liabilities and cash flows that have formed part of the combined assets' historical financial information, which were further adjusted to conform with the Assigned Properties' fiscal year of June 30. These include, among others, (i) working capital directly attributable and identifiable to the combined assets; (ii) third party debt and related expenses directly attributable to the real estate assets, if any, and (iii) income taxes in accordance with PAS 12, *Income Taxes*, as if the combining assets is a separate taxpayer. None of Company's external debts were allocated to the combined assets, and accordingly, none of Company's debt and interest expense were allocated to the carved out financial information related to the combined assets.

- Each of the investment properties has neither formed part of any separate legal entities nor presented any stand-alone financial statements, and accordingly, it is not practicable to present share capital or an analysis of equity reserves. The net assets attributable to the combined assets, excluding the cumulative earnings, are represented by capital invested in assets and shown as Invested Equity in the combined carve-out interim statement of financial position.

The accounting policies and method of computation adopted in the preparation of the combined carve-out interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as at and for the years ended December 31, 2020 and 2019.

(b) Basis of Combination

The individual financial information of the combining assets, as described in Note 1.2, as of March 31 and for the nine months ended March 31, 2021 and 2020, which were prepared for the same reporting period using their own set of accounting policies, are adjusted to the accounting policies of the Company when combined financial statements are prepared. Any intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full.

There are no other comprehensive income (OCI) items that have been included in the combined carve-out interim financial statements for the nine months ended March 31, 2021 and 2020.

(c) Statement of Compliance with Philippine Financial Reporting Standards

The combined carve-out interim financial statements of the Assigned Properties have been prepared in accordance with PFRS. PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

(d) Presentation of Combined carve-out Interim Financial Statements

The combined carve-out interim financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Assigned Properties present all items of income, expense and other comprehensive income or loss in a single combined carve-out interim statement of comprehensive income.

(e) Functional and Presentation Currency

These combined carve-out interim financial statements are presented in Philippine pesos, the Assigned Properties' presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the combined carve-out interim financial statements of the Assigned Properties are measured using the Assigned Properties' functional currency. Functional currency is the currency of the primary economic environment in which the Assigned Properties operate.

2.2 Adoption of New and Amended PFRS

(a) Effective in Fiscal Year 2021 that are Relevant to the Assigned Properties

The Assigned Properties adopted for the first time the following pronouncements, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 7 and 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions

The following are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Assigned Properties' combined carve-out interim financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendments have also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Assigned Properties' combined carve-out interim financial statements

(iii) PFRS 7 (Amendments), *Financial Instruments: Disclosures,* and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Assigned Properties' combined carve-out interim financial statements.

(iv) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions*. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact on the Assigned Properties' combined carve-out interim financial statements because the amendments do not affect accounting for lessors.

(b) Effective in Fiscal Year 2021 that are not Relevant to the Assigned Properties

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2020, the amendments to PFRS 3, *Business Combination – Definition of a Business*, are not relevant to the Assigned Properties' combined carve-out interim financial statements.

(c) Effective Subsequent to Fiscal Year 2021 but not Adopted Early

There are pronouncements effective for annual periods subsequent to calendar year 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Assigned Properties' combined carve-out interim financial statements.

(i) PFRS 9 (Amendments), *Financial Instruments*, PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform - Phase 2* (effective January 1, 2021). The amendments provide practical expedients for changes in the basis for determining the contractual cash flows and reliefs from certain hedge accounting requirements due to alteration of interest rate benchmark as a result of interest rate benchmark reform. Moreover, it requires an entity to disclose information that enable users to understand the nature and extent of risks resulting from interest rate benchmark reform, the management of such risks, the progress of transition to alternative benchmark rates and the management of such transition.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iii) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Assigned Properties to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Assigned Properties have to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The interpretation had no significant impact on the Assigned Properties' combined carve-out interim financial statements.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Assigned Properties but had no material impact to the Assigned Properties' combined carve-out interim financial statements.

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 Financial Instruments

Financial assets are recognized when the Assigned Properties become a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are classified into the following categories: financial assets at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. As of March 31, 2021 and June 30, 2020, the Assigned Properties' financial assets are classified and measured at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Assigned Properties' business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold-to-collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Assigned Properties' financial assets at amortized cost are presented in the combined carve-out interim statement of financial position as Cash and Trade Receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash on hand and in banks pertains to deposits which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned, if any, is recognized in the combined carve-out interim statement of comprehensive income as part of Other Income.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Assigned Properties assess and recognize allowance for ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Assigned Properties' identification of a credit loss event. Instead, the Assigned Properties consider a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Assigned Properties apply the simplified modified approach in measuring ECL for trade receivables which uses a lifetime expected loss allowance. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Assigned Properties use their historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The key elements used in the calculation of ECL are discussed below:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Assigned Properties would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Assigned Properties recognize an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Assigned Properties neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Assigned Properties recognize their retained interest in the asset and an associated liability for amounts they may have to pay. If the Assigned Properties retain substantially all the risks and rewards of ownership of a transferred financial asset, the Assigned Properties continue to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities of the Assigned Properties, which pertain to security deposits presented under Deposits and other liabilities, are recognized when the Assigned Properties become a party to the contractual terms of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss in the combined carve-out interim statement of comprehensive income.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Assigned Properties do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the combined carve-out interim statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the combined carve-out interim statement of financial position when the Assigned Properties currently have legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Prepayments and Other Assets

Prepayments and other current assets pertain to other resources controlled by the Assigned Properties as a result of past events. These are composed of prepaid taxes and input value-added taxes (VAT). They are recognized in the combined carve-out interim financial statements when it is probable that the future economic benefits will flow to the Assigned Properties and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Assigned Properties beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.5 Investment Properties

Investment properties include buildings and improvements for lease under operating lease agreements.

These properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation of buildings and improvements, is computed using the straight-line method over the estimated useful life of 40 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.9).

The residual values, estimated useful life and method of depreciation of investment properties are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the combined carve-out interim statement of comprehensive income in the year of retirement or disposal.

2.6 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the combined carve-out interim financial statements. Similarly, probable inflows of economic benefits to the Assigned Properties that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the combined carve-out interim financial statements. On the other hand, any reimbursement that the Assigned Properties can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.7 Revenue and Expense Recognition

Currently, the Assigned Properties have no revenue arising from contracts with customers that needs to be accounted for under PFRS 15. Its revenue is limited to the rental income that it generates from leasing its office, retail and parking spaces; refer to Note 2.8 in respect of its recognition in profit or loss. Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred. All finance costs are reported in profit or loss on an accrual basis.

2.8 Leases

The Assigned Properties account for leases as follows:

(a) Assigned Properties as Lessee

The Assigned Properties consider whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Assigned Properties assess whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Assigned Properties;

- the Assigned Properties have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Assigned Properties have the right to direct the use of the identified asset throughout the period of use. The Assigned Properties assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Assigned Properties have elected to account for any short-term leases, variable leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) Assigned Properties as Lessor

Leases wherein the Assigned Properties substantially transfer to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Assigned Properties' net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Assigned Properties' net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Assigned Properties determine whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.9 Impairment of Non-financial Assets

The Assigned Properties' non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Assigned Properties' latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.10 Employee Benefits

The Assigned Properties provide post-employment benefits to employees through defined contribution plans and other employee benefits which are recognized as follows:

(a) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Assigned Properties pay fixed contributions into an independent entity. The Assigned Properties have no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Deposits and Other Liabilities account in the combined carve-out interim statement of financial position at the undiscounted amount that the Assigned Properties expect to pay as a result of the unused entitlement.

2.11 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Assigned Properties expect, at the end of the reporting period, to cover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Assigned Properties have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.12 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Assigned Properties and their related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Assigned Properties; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Assigned Properties that give them significant influence over the Assigned Properties and close members of the family of any such individual.

2.13 Equity

Equity consists of the residual interest on the assets and liabilities from the combining properties and the accumulated combined carve-out net income for the nine months ended March 31, 2021 and 2020, reduced by distributions of invested equity. The presumed cash distributions or distributions of invested equity are calculated by adding or subtracting net cash from (used in) operating activities, net cash from (used in) investing activities and net cash from (used in) financing activities other than the presumed cash distributions or distributions of invested equity.

The net cash flows associated with Assigned Properties, except for the amount of required cash balance for the day-to-day operations of the Assigned Properties, flows to the overall net cash flows of the Company. Accordingly, all other net cash flows were reverted to the Company in the form of distributions of invested equity as presented under the Cash Flows from a Financing Activity section of the of the combined carve-out interim statements of cash flows.

2.14 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Assigned Properties' combined carve-out interim financial position at the end of the reporting period (adjusting event) is reflected in the combined carve-out interim financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the combined carve-out interim financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Assigned Properties' combined carve-out interim financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the combined carve-out interim financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Assigned Properties' accounting policies, management has made the following judgments presented below and in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the combined carve-out interim financial statements.

(a) Determination of ECL on Trade Receivables

The Assigned Properties use a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Assigned Properties' historical observed default rates. The Assigned Properties' management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Assigned Properties' trade receivables are disclosed in Note 17.1.

(b) Distinction Among Investment Properties and Owner-occupied Properties

The Assigned Properties determine whether a property should be classified as investment property or owner-occupied property. The Assigned Properties apply judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the Assigned Properties consider whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise of a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Assigned Properties' main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Assigned Properties account for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Assigned Properties' main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Assigned Properties consider each property separately in making its judgment.

(c) Distinction Between Operating and Finance Leases (As a Lessor)

The Assigned Properties have entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Assigned Properties' lease agreements are classified as operating lease.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.6 and disclosures on relevant provisions and contingencies are presented in Note 16.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding page are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Fair Value Measurement of Investment Properties

The Assigned Properties, composed of buildings for mixed use, are carried at cost, net of accumulated depreciation and any impairment in value. In determining the fair value of these assets, the Assigned Properties engage the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 19.3.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 6 and 19.3.

(b) Determination of Realizable Amount of Deferred Tax Asset

The Assigned Properties review its deferred tax asset at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at March 31, 2021 and June 30, 2020 will be utilized in the succeeding years.

The carrying amount of the deferred tax assets as at March 31, 2021 and June 30, 2020 is disclosed in Note 12.

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 17.1.

(d) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Assigned Properties' policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.9. Though management believes that the assumptions used in the estimation of fair values reflected in the combined carve-out interim financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses on the Assigned Properties' non-financial assets required to be recognized in 2021 and 2020 based on management's assessment.

4. CASH

Cash pertains to small amount of discretionary fund which is used by the Assigned Properties to pay for minor expenditures amounting to P0.5 million as of March 31, 2021 and June 30, 2020.

5. TRADE RECEIVABLES

The combined carve-out balance of this account is composed of the following:

	Notes	March 31, 2021	June 30, 2020
Current:			
Trade receivables:	13.1		
Billed		**P 51,971,885**	P 66,721,706
Accrued rent		**26,517,169**	14,586,368
		78,489,054	81,308,074
Allowance for impairment	17.1	**(6,624,472)**	(9,740,446)
		71,864,582	71,567,628
Non-current –			
Trade receivables –			
Accrued rent		**254,107,485**	244,260,203
Allowance for impairment	17.1	**(18,922,099)**	(29,010,032)
		235,185,386	215,250,171
		P 307,049,968	P 286,817,799

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

Billed receivables arise mainly from tenants for rentals of office, retail, hotel and parking spaces. These are noninterest-bearing and are generally collectible on 30-day term.

All trade receivables are subject to credit risk exposure. However, the Assigned Properties do not identify specific concentrations of credit risk with regard to Trade Receivables as the amounts recognized consist of a large number of receivables from various customers.

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	Notes	March 31, 2021	March 31, 2020	June 30, 2020
Current:				
Balance at beginning of year		**P 9,740,446**	P 3,992,990	P 3,992,990
Reversal		**(3,115,974)**	-	-
Impairment losses	10	**-**	402,535	5,747,456
		6,624,472	4,395,525	9,740,446
Non-current:				
Balance at beginning of year		**P 29,010,032**	P 11,743,914	P 11,743,914
Reversal		**(10,087,933)**	-	-
Impairment losses	10	**-**	1,120,742	17,266,118
		18,922,099	12,864,656	29,010,032
Balance at end of year	17.1	**P 25,546,571**	P 17,260,181	P 38,750,478

Impairment loss is presented under Other Operating Expenses in the 2020 combined carve-out interim statement of comprehensive income (see Notes 10 and 17.1). Reversal of allowance is presented as Gain on reversal of allowance for impairment under Other Income (Charges) section in the 2021 combined carve-out interim statement of comprehensive income.

6. INVESTMENT PROPERTIES

The Assigned Properties' investment property includes several buildings for mixed used, which are being leased out as office, retail and hotel, including their respective parking spaces. The gross carrying amounts and accumulated depreciation of investment properties are shown below.

	March 31,		June 30,
	2021	2020	2020
Cost	**P 13,237,917,585**	P 13,237,917,585	P 13,237,917,585
Accumulated depreciation	**(3,966,045,953)**	(3,635,098,013)	(3,717,835,000)
Net carrying amount	**P 9,271,871,632**	P 9,602,819,572	P 9,520,082,585

A reconciliation of the carrying amounts of buildings and improvements is shown below.

		March 31,		June 30,
	Note	**2021**	2020	2020
Balance at beginning of year		**P 9,520,082,585**	P 9,851,030,525	P 9,851,030,525
Depreciation	9	**(248,210,953)**	(248,210,953)	(330,947,940)
Balance at end of year		**P 9,271,871,632**	P 9,602,819,572	P 9,520,082,585

Rental income from investment property amounted to P1.6 billion and P1.5 billion for the nine months ended March 31, 2021 and 2020, respectively (see Note 8).

The direct operating costs incurred by the Assigned Properties relating to investment properties in both 2021 and 2020 is disclosed in Note 9. All investment properties generated rental income.

The operating lease commitments of the Assigned Properties as lessors are fully disclosed in Note 16.1.

The fair values of the Assigned Properties' investment properties as of March 31, 2021 and June 30, 2020 were determined based on appraisal reports by an independent real property appraiser, which uses the market data approach (see Note 19.3).

7. DEPOSITS AND OTHER LIABILITIES

The combined carve-out balance of this account consists of:

	Notes	**March 31, 2021**	June 30, 2020
Current:			
Security deposits	16.1	**P 150,252,239**	P 139,339,172
Advance rent	16.1	**81,420,831**	136,516,642
Deferred credits		**26,072,011**	26,880,280
Others		**26,042,464**	26,557,039
		283,787,545	329,293,133
Non-current:			
Security deposits	13.1, 16.1	**415,768,730**	399,825,042
Advance rent	13.1, 16.1	**281,452,900**	273,107,744
Deferred credits		**57,244,091**	68,794,755
		754,465,721	741,727,541
		P1,038,253,266	P 1,071,020,674

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three months' rent for office and six months' rent for commercial and will be refunded to the lessee at the end of the lease term.

Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts.
A reconciliation of security deposits at the beginning and end of March 31, 2021 and 2020, and June 30, 2020 is shown below.

	March 31,		June 30,
	2021	2020	2020
Balance at beginning of year	**P 539,164,214**	P 480,416,873	P 480,416,873
Additions	**5,115,090**	20,986,622	30,735,902
Accretion of interest	**21,741,665**	20,401,242	28,011,439
Balance at end of year	**P 566,020,969**	P 521,804,737	P 539,164,214

Accretion of interest is presented as Interest expense under Other Income (Charges) section in the combined carve-out interim statements of comprehensive income.

Deferred credits pertain to the difference between the nominal values of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method.

A reconciliation of deferred credits at the beginning and end of March 31, 2021 and 2020, and June 30, 2020 is shown below.

	March 31,		June 30,
	2021	2020	2020
Balance at beginning of year	**P 95,675,035**	P 102,282,344	P 102,282,344
Additions	**9,373,142**	16,639,542	22,324,611
Amortization	**(21,732,075)**	(21,113,232)	(28,931,920)
	P 83,316,102	P 97,808,654	P 95,675,035

Amortization of deferred credits is presented as part of Rental Income in the combined carve-out interim statements of comprehensive income (see Note 8).

Others include accrued expenses, output VAT and deferred output VAT.

8. RENTAL INCOME

The Assigned Properties derive its revenues from contracts with customers through leasing real properties. The breakdown of rental income as reported in the combined carve-out interim statements of comprehensive income is presented below.

	Note	**March 31, 2021**	March 31, 2020
Office		**P1,476,630,384**	P 1,345,686,293
Retail		**57,681,688**	104,184,854
Hotel		**30,136,212**	23,954,290
Parking		**902,432**	1,001,733
Amortization of deferred credits	7	**21,732,075**	21,113,232
		P 1,587,082,791	P 1,495,940,402

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to P16.4 million and P27.1 million for the periods ended March 31, 2021 and 2020, respectively.

Rental income includes variable lease payments, which do not depend on an index or a rate, amounting to P11.7 million and P13.6 million for the period ended March 31, 2021 and 2020, respectively.

9. COST OF SERVICES

The nature of the combined carve-out cost of services are as follows:

	Note	**March 31, 2021**	March 31, 2020
Depreciation	6	**P 248,210,953**	P 248,210,953
Taxes and licences		**12,359,578**	12,359,578
		P 260,570,531	P 260,570,531

10. OTHER OPERATING EXPENSES

The details of the combined carve-out balances are presented below.

	Notes	March 31, 2021	March 31, 2020
Taxes and licenses		**P 29,493,221**	P 23,059,509
Commission		**19,004,125**	8,703,190
Salaries and employee benefits	11	**9,756,243**	9,352,384
Association dues		**2,184,265**	1,194,860
Rent	16.2	**1,063,606**	1,032,627
Utilities		**141,814**	137,684
Transportation		**50,648**	49,173
Impairment loss	5	**-**	1,523,277
Miscellaneous		**75,972**	73,758
		P 61,769,894	P 45,126,462

11. EMPLOYEE BENEFITS

Combined carve-out expenses recognized for salaries and employee benefits are presented below (see Note 10).

	March 31, 2021	March 31, 2020
Salaries and wages	**P 6,472,571**	P 6,164,353
Other short-term benefits	**3,283,672**	3,188,031
	P 9,756,243	P 9,352,384

12. TAXES

The components of tax expense (income) as reported in the combined carve-out interim statements of comprehensive income are as follows:

	March 31, 2021	March 31, 2020
Current tax expense – Regular corporate income tax (RCIT) at 25% and 30%	**P 305,308,052**	P 346,287,774
Deferred tax expense (income) related to origination of temporary differences	**(2,259,307)**	4,451,280
	P 303,048,745	P 350,739,054

A reconciliation of tax on pretax profit or loss computed at the applicable statutory rates to tax expense or income reported in the combined carve-out interim statements of comprehensive income is as follows:

	March 31, 2021	March 31, 2020
Tax on pretax profit (loss) at 25% and 30%	**P 314,051,152**	P 350,952,650
Tax effects of:		
Reversal of deferred tax liabilities (DTL) due to revised tax rate	**(11,004,805)**	-
Non-taxable income	**(5,433,019)**	(6,333,970)
Non-deductible expense	**5,435,417**	6,120,374
	P 303,048,745	P 350,739,054

The combined carve-out net DTL as at the end of the reporting periods relate to the following:

	March 31, 2021	June 30, 2020
Rent income differential	**P 70,156,164**	P 77,653,971
Allowance for ECL	**(6,386,643)**	(11,625,143)
	P 63,769,521	P 66,028,828

The combined carve-out net deferred tax expense (income) as at the end of the reporting periods relate to the following:

	March 31, 2021	March 31, 2020
Rent income differential	**(P 7,497,808)**	P 4,908,263
Allowance for ECL	**5,238,501**	(456,983)
	(P 2,259,307)	P 4,451,280

In 2021 and 2020, the Assigned Properties are subject to MCIT which is computed at 1% and 2% of gross income, respectively, as defined under the tax regulations, or to RCIT, whichever is higher. RCIT was reported in both 2021 and 2020.

In 2021 and 2020, the Assigned Properties opted to continue claiming itemized deductions in computing for its income tax due.

13. RELATED PARTY TRANSACTIONS

The Assigned Properties' related parties include related parties under common ownership as described below. A summary of the Assigned Properties' combined carve-out transactions and outstanding balances with its related parties is presented below.

Related Party Category	Notes	Amount of Transaction March 31, 2021	Amount of Transaction March 31, 2020	Outstanding Receivable (Payable) March 31, 2021	Outstanding Receivable (Payable) June 30, 2020
Related parties under common ownership:					
Rendering of services	5, 8, 13.1	**77,277,488**	74,802,364	**54,512,548**	37,377,862
Security deposits	7, 13.1	**916,688**	5,037,447	**(14,504,890)**	(13,588,202)
Advance rent	7, 13.1	**40,849**	(37,037)	**(10,458,822)**	(10,417,973)
Key management personnel –					
Compensation	13.2	**4,102,334**	3,906,984	**-**	-

13.1 Rendering of Services to Related Parties

The Assigned Properties lease some of its investment properties to other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from five to 25 years, with renewal options, and include annual escalation rates of 5% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental Income in the combined carve-out interim statements of comprehensive income (see Note 8). The related outstanding receivables from these transactions, which are generally collectible in cash upon demand, unsecured and noninterest-bearing, are presented as part of Trade receivables under the Trade Receivables account in the combined carve-out interim statements of financial position (see Note 5).

Advanced rentals and security deposits relating to this transaction are presented under the current and non-current portion of Deposits and Other Liabilities account in the combined carve-out interim statements of financial position (see Note 7).

13.2 Key Management Personnel Compensation

Key management personnel compensation includes salaries and employee benefits amounting to P4.1 million and P3.9 million in 2021 and 2020, respectively, which are presented as part of Salaries and employee benefits under Other Operating Expenses in the combined carve-out interim statements of comprehensive income (see Note 10).

14. EQUITY

The equity section presented in the combined carve-out interim statement of financial position is prepared by combining the historical accumulated earnings of the Assigned Properties, adjusted for the effects of elimination of intra-company transactions among and within MC and reduced by distributions of invested equity. Accordingly, the amounts of Invested Equity shown in the combined carve-out interim statement of financial position do not necessarily reflect the consolidated amounts of what the MC's shareholders would have been had the infusion of assets as disclosed in Note 1.2 been completed, nor had it been a separate stand-alone entity, during the periods presented. The combined carve-out interim financial statements neither represent the financial information of MC prepared on a basis as if MC was operating solely, nor do they give an indication of the results, cash flows and financial position of MC in the future.

15. EARNINGS PER SHARE

As the combined carve-out interim financial statements have no legal capital and the financial information has been prepared on a combined basis, it is not possible to measure earnings per share (EPS). Accordingly, the requirement of PAS 33, *Earnings Per Share*, to disclose basic/diluted EPS has not been complied within these combined carve-out interim financial statements.

16. COMMITMENTS AND CONTINGENCIES

16.1 Operating Lease Commitments – Assigned Properties as Lessors

The Assigned Properties are lessors under several operating leases covering real estate properties for office and commercial use (see Note 6). The combined carve-out future minimum lease receivable under these agreements is shown below.

	March 31, 2021	June 30, 2020
Within one year	**P 1,831,283,144**	P 1,932,529,953
After one year but not more than two years	**1,491,537,829**	1,626,255,825
After two years but not more than three years	**1,042,583,397**	1,341,948,638
After three years but not more than four years	**690,565,352**	870,382,657
After four years but not more than five years	**221,839,649**	540,837,273
More than five years	**809,558,845**	935,252,096
	P6,087,368,216	P 7,247,206,442

The Assigned Properties are subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Assigned Properties' revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management's expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Assigned Properties may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, the Assigned Properties require security deposits and advanced rentals representing three months' and six months' rent from office and commercial tenants, respectively (see Note 7).

16.2 Operating Lease Commitments – Assigned Properties as Lessees

The Assigned Properties are lessees under other short-term operating leases. Rental payments arising from this transaction amounted to P1.1 million and P1.0 million in 2021 and 2020, respectively, and is presented as Rent under Other Operating Expenses in the combined carve-out interim statements of comprehensive income (see Note 10).

16.3 Others

There are other commitments and contingent liabilities that arise in the normal course of the operations of the Assigned Properties which are not reflected in the combined carve-out interim financial statements. The management of the Assigned Properties is of the opinion that losses, if any, from these items will not have any material effect on their combined carve-out interim financial statements.

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Assigned Properties are exposed to certain financial risks which result from its operating, investing and financing activities. The financial liabilities were issued to raise funds for the Assigned Properties' capital expenditures. The following disclosures about risk management objectives and policies are based on combined carve-out balances as discussed in Note 1.3.

The Assigned Properties do not actively engage in the trading of financial assets for speculative purposes.

17.1 Credit Risk

The Assigned Properties' credit risk is attributable to cash in banks and trade receivables The Assigned Properties maintain defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Assigned Properties' policy is to deal only with creditworthy counterparties. In addition, security deposits and advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the combined carve-out interim statements of financial position as summarized below.

	Notes	**March 31, 2021**	June 30, 2020
Cash	4	**P 500,000**	P 500,000
Trade receivables	5	**307,049,968**	286,817,799
		P 307,549,968	P 287,317,799

The Assigned Properties apply the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

The expected loss rates are based on payment profiles of receipts over a period of 12 months before March 31 2021 and June 30, 2020 and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Assigned Properties identify headline inflation rate and consumer price index to be the most relevant factors and accordingly adjusts historical loss rates based on expected changes in these factors. The total loss allowance based on the provision matrix as at March 31, 2021 and June 30, 2020 to P25.5 million and P38.8 million, respectively (see Note 5).

The Assigned Properties consider credit enhancements in determining the expected credit loss. Trade receivables are collateralized by advanced rental and security deposits received from lessees.

The estimated fair value of collateral and other security enhancements held against trade receivables and contracts assets are presented below.

		Gross Maximum Exposure		Fair Value of Collaterals		Net Exposure
March 31, 2021	**P**	**307,049,968**	**P**	**920,127,797**	**P**	**-**
June 30, 2020		286,817,799		928,545,358		-

The Assigned Properties do not consider any significant risks in trade receivables from related parties as these are entities whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy. As of March 31, 2021 and June 30, 2020, impairment allowance is not material.

17.2 Liquidity Risk

The Assigned Properties manage its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a 6-month and one-year period are identified monthly.

The Assigned Properties maintain cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at March 31, 2021 and June 30, 2020, the Assigned Properties' financial liabilities, which pertain to security deposits, have contractual maturities which are presented below (see Note 7).

		Within One Year		One to Five Years		More Than Five Years
March 31, 2021	**P**	**66,112,182**	**P**	**415,326,428**	**P**	**176,446,493**
June 30, 2020		49,007,361		410,638,716		183,750,794

18. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

18.1 Carrying Amounts and Fair Value by Category

Except for security deposits, which is measured at amortized cost, as presented below, the carrying amounts of other financial instruments as of March 31, 2021 and June 30, 2020, approximate their fair values; hence, no further comparison between the carrying amounts and fair values, as well as fair value hierarchy is presented.

	March 31, 2021	June 30, 2020
Carrying amounts	**P 566,020,969**	P 521,804,737
Fair value	**557,254,066**	504,496,373

See Note 2.3 for a description of the accounting policies for each category of financial instruments. A description of the Assigned Properties' risk management objectives and policies for financial instruments is provided in Note 17.

18.2 Offsetting of Financial Assets and Financial Liabilities

The Assigned Properties have not set-off financial instruments in 2021 and 2020 do not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Assigned Properties' outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

19. FAIR VALUE MEASUREMENT AND DISCLOSURE

19.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the levels discussed below and in the succeeding page.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

19.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Assigned Properties' financial assets which are not measured at fair value in the combined carve-out interim statements of financial position but for which fair value is disclosed include cash in banks, which are categorized as Level 1, and trade and other receivables is categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to security deposits, which are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

19.3 Fair Value Measurement of Investment Properties

As of March 31, 2021 and June 30, 2020, the Assigned Properties' investment properties amounting to P49.2 billion and P47.1 billion, respectively, are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the Assigned Properties' investment properties (see Note 6) are determined on the basis of the appraisals performed by Intech Property Appraisal, Inc., an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Assigned Properties' management with respect to the determination of the inputs such as the size, age, and condition of the properties (buildings), and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Assigned Properties' investment property is its current use.

The independent appraiser used Market Data Approach in determining the fair values of the investment properties. Market Data Approach recognizes that the prices determined by the market. Market value can, therefore, be calculated from a study of market prices for assets that compete with one another for market share. This comparative approach considers the sales or offers of similar or substitute asset and related market date and establishes a value estimate by processes involving comparison. In general, an asset being valued (a subject asset) is compared with sales of similar asset that have been transacted in the market. The technique involves direct comparison of the subject asset with similar assets for which actual date on recent market transactions are available. Although sales are the most important, analysis of listings and prices offered for similar assets that compete with the subject may contribute to greater understanding of the market.

The fair values of the buildings are sensitive to the changes in the sales price and listings of comparable property. A significant increase or decrease in the price per square meter of comparable buildings may result to a significant increase or decrease in profit or loss.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2021 and 2020.

20. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Assigned Properties' capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Assigned Properties manage their capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio, based on combined carve-out balances, as follows:

	March 31, 2021	June 30, 2020
Total liabilities	**P1,329,493,733**	P 1,508,697,903
Total equity	**8,270,527,159**	8,315,181,916
Liabilities-to-equity ratio	**0.16 : 1.00**	0.18 : 1.00

P&A Grant Thornton

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Combined Carve-out Interim Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
MREIT Inc.
(A Subsidiary of Megaworld Corporation)
(Formerly Megaworld Holdings, Inc.)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the combined carve-out interim financial statements of Megaworld REIT Properties [Megaworld Corporation's Real Estate Properties to be transferred to MREIT, Inc. (the Assigned Properties)] as at March 31, 2021 and for the nine months ended March 31, 2021 and 2020, and have issued our report thereon dated August 3, 2021. Our audits were made for the purpose of forming an opinion on the basic combined carve-out interim financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic combined carve-out interim financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Assigned Properties' management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic combined carve-out interim financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined carve-out interim financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 3, 2021

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao
BOA/ PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002

grantthornton.com.ph

MEGAWORLD REIT PROPERTIES
List of Supplementary Information
March 31, 2021

Megaworld REIT Properties
Schedule A - Financial Assets
March 31, 2021

The Assigned Properties do not have financial assets classified under available-for-sale, fair value through profit or loss and held to maturity as of March 31, 2021.

Megaworld REIT Properties
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
March 31, 2021

The Assigned Properties do not have amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) above P1 million or 1% of total assets as of March 31, 2021.

Megaworld REIT Properties
Schedule C - Amounts Receivable/ Payable from/ to Related Parties which are Eliminated During the Consolidation of Combined Carved-out Financial Statements
March 31, 2021

			Deductions				
Name and designation of debtor	**Balance at the beginning of period**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Non current**	**Balance at the end of the period**
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Megaworld REIT Properties
Schedule D - Long-Term Debt
March 31, 2021

Title of issue and type of obligation	***Amount authorized by indenture***	***Amount shown under caption"Current portion of long-term debt" in related balance sheet***	***Amount shown under caption"Long-Term Debt" in related balance sheet***
N/A	N/A	N/A	N/A

Megaworld REIT Properties
Schedule E - Indebtedness to Related Parties (Long-term Loans from Related Companies)
March 31, 2021

Name of Related Party	***Balance at Beginning of Period***	***Balance at End of Period***
N/A	N/A	N/A

Megaworld REIT Properties
Schedule F - Guarantees of Securities of Other Issuers
March 31, 2021

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	***Title of Issue of Each Class of Securities Guaranteed***	***Amount shown under caption"Current portion of long-term debt" in related balance sheet***	***Amount shown under caption"Long-Term Debt" in related balance sheet***
N/A	N/A	N/A	N/A

Megaworld REIT Properties
Schedule G - Capital Stock
March 31, 2021

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
N/A	N/A	N/A	N/A	N/A	N/A	N/A

P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicator

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
MREIT, Inc.
(A Subsidiary of Megaworld Corporation)
(Formerly Megaworld Holdings, Inc.)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the combined carve-out interim financial statements of Megaworld REIT Properties [Megaworld Corporation's Real Estate Properties to be transferred to MREIT, Inc. (the Assigned Properties)] as at March 31, 2021 and for the nine months ended March 31, 2021 and 2020, and have issued our report thereon dated August 3, 2021. Our audits were made for the purpose of forming an opinion on the basic combined carve-out interim financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Assigned Properties' management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic combined carve-out interim financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Assigned Properties' combined carve-out interim financial statements as at March 31, 2021 and for the nine months ended March 31, 2021 and 2020, and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 3, 2021

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao
BOA/ PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002

grantthornton.com.ph

MEGAWORLD REIT PROPERTIES
SUPPLEMENTAL SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
March 31, 2021

Ratio	Formula	March 31, 2021	June 30, 2020
Current ratio	Current assets / Current liabilities	0.18	0.13
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)*	0.14	0.10
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)*	N/A	N/A
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)	N/A	N/A
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.16	1.18
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	58.78	57.64
Return on equity	Net profit / Average total stockholders' equity	0.11	0.13
Return on assets	Net profit/ Average total assets	0.10	0.11
Net profit margin	Net profit / Total revenues	0.60	0.54

*The Assigned Properties have no interest bearing loans and borrowings and bonds and notes payable as of the periods covered.

MREIT, INC.

18th Floor Alliance Global Tower 36th St. cor. 11th Avenue, Uptown Bonifacio, Taguig City

June 7, 2021

Securities and Exchange Commission
Ground Flr – North Wing, PICC Secretariat Building
Philippine International Convention Center (PICC) Complex
Roxas Boulevard, Pasay City

The management of **MREIT, Inc.** (the Company), is responsible for the preparation and fair presentation of the compiled proforma financial information including the schedules attached therein as of and for the nine months ended March 31, 2021 and for the fiscal year June 30, 2020 covering the ten (10) real property assets to be transferred to the Company, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the proforma financial information, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process. The Board of Directors reviews and approves the proforma financial information, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditor appointed by the stockholders, has compiled the proforma financial information of the Company in accordance with Philippine Standards on Assurance Engagements, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such compilation.

FRANCISCO C. CANUTO
Chairman of the Board

KEVIN ANDREW L. TAN
President

GIOVANNI C. NG
Treasurer

Signed this 7th day of June, 2021

P&A Grant Thornton

Independent Auditors' Assurance Report on the Compilation of Pro Forma Condensed Financial Information Included in a Prospectus

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors
MREIT, Inc.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have completed our assurance engagement to report on the compilation of the pro forma condensed financial information of MREIT, Inc. (the Company) by the Company's management. The pro forma condensed financial information consists of the pro forma condensed interim statement of financial position as at March 31, 2021 and the pro forma condensed interim statement of comprehensive income, pro forma condensed interim statement of changes in equity and pro forma condensed interim statement of cash flows for the nine months ended March 31, 2021 and for the year ended June 30, 2020, and related notes. The applicable criteria on the basis of which the Company's management has compiled the pro forma condensed financial information are described in Note 2 to the pro forma condensed financial information.

The pro forma condensed financial information has been compiled by the Company's management to illustrate the impact of the events or transactions set out in Note 3 to the pro forma condensed financial information on the Company's financial position as at March 31, 2021, the end of the period presented, and its financial performance and cash flows for the nine months ended March 31, 2021 and for the year ended June 30, 2020, as if the transactions had taken place at the beginning of the period presented. As part of this process, information about the Company's financial position, financial performance and cash flows have been extracted by Company's management from the Company's audited interim financial statements as at and for the three months ended March 31, 2021 and from the combined carved-out interim financial statements of Megaworld Corporation's Assigned Properties to MREIT, Inc. as at March 31, 2021 and for the nine months ended March 31, 2021 and 2020 for which audit reports have been issued on May 19, 2021 and May 31, 2021, respectively.

Management's Responsibility for the Pro Forma Condensed Financial Information

Management of the Company is responsible for compiling the pro forma condensed financial information on the basis of the applicable criteria set out in Note 2 to the pro forma condensed financial information.

Auditors' Responsibilities

Our responsibility is to express an opinion, as required by Section 9, Part II of the Revised Securities Regulation Code Rule 68, about whether the pro forma condensed financial information has been compiled, in all material respects, by the Company's management on the basis of the applicable criteria described in Note 2 to the pro forma condensed financial information.

We conducted our engagement in accordance with Philippine Standard on Assurance Engagements (PSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Auditing and Assurance Standards Council. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the pro forma condensed financial information on the basis of the applicable criteria described in Note 2 to the pro forma condensed financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma condensed financial information nor have we, in the course of this engagement, separately performed an audit or review of the interim financial information used in compiling the pro forma condensed financial information.

The purpose of pro forma condensed financial information included in a real estate investment trust plan is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Company as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma condensed financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma condensed financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and,
- the pro forma condensed financial information reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditors' judgment, having regard to the auditors' understanding of the nature of the Company, the events or transactions in respect of which the pro forma condensed financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluation of the overall presentation of the pro forma condensed financial information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma condensed financial information has been properly compiled on the basis stated in Note 2 to the pro forma condensed financial information.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Company A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

June 7, 2021

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
PRO FORMA CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021
(Amounts in Philippine Pesos)

	March 31, 2021 (Audited)	Notes	Pro Forma Adjustments (Unaudited)	**March 31, 2021 Pro Forma Balances (Unaudited)**
A S S E T S				
CURRENT ASSETS				
Cash	P -	3.1(a)	P 1,240,001,000	**P 1,240,001,000**
Trade receivables - net	-	3.1(b)	71,864,582	**71,864,582**
Deferred input value added tax	18,480		-	**18,480**
Due from a related party	-	3.1(c)	718,131,026	**718,131,026**
Prepayments and other current assets	-	3.1(d)	20,599,293	**20,599,293**
Total Current Assets	18,480		2,050,595,901	**2,050,614,381**
NON-CURRENT ASSETS				
Trade receivables - net	-	3.1(b)	235,185,386	**235,185,386**
Deposit for future acquisition of real properties	1,240,000,000	3.1(a)	(1,240,000,000)	**-**
Investment properties	-	3.1(e)	49,202,407,620	**49,202,407,620**
Total Non-current Assets	1,240,000,000		48,197,593,006	**49,437,593,006**
TOTAL ASSETS	P 1,240,018,480		P 50,248,188,907	**P 51,488,207,387**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accrued expenses	P 12,572,480		P -	**P 12,572,480**
Deposits and other liabilities	-	3.1(f)	265,242,556	**265,242,556**
Due to parent company	201,820		-	**201,820**
Total Current Liabilities	12,774,300		265,242,556	**278,016,856**
NON-CURRENT LIABILITY				
Deposits and other liabilities	-	3.1(f)	780,537,731	**780,537,731**
Total Liabilities	12,774,300		1,045,780,287	**1,058,554,587**
EQUITY				
Capital stock	1,250,000,000	3.1(g)	1,282,121,381	**2,532,121,381**
Additional paid-in capital	-	3.1(h)	47,920,287,239	**47,920,287,239**
Retained earnings (deficit)	(22,755,820)		-	**(22,755,820)**
Total Equity	1,227,244,180		49,202,408,620	**50,429,652,800**
TOTAL LIABILITIES AND EQUITY	P 1,240,018,480		P 50,248,188,907	**P 51,488,207,387**

See Notes to Pro Forma Condensed Financial Information.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
PRO FORMA CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED MARCH 31, 2021
(Amounts in Philippine Pesos)

	March 31, 2021 (Audited)	Notes	Pro Forma Adjustments (Unaudited)	**March 31, 2021 Pro Forma Balances (Unaudited)**
REVENUES				
Rental income	P -	3.2(a)	P 1,587,082,791	**P 1,587,082,791**
Income from dues – net	-	3.2(b)	97,968,166	**97,968,166**
	-		1,685,050,957	**1,685,050,957**
COST OF SERVICES	-	3.2(c)	(102,644,320)	**(102,644,320)**
GROSS PROFIT	-		1,582,406,637	**1,582,406,637**
OTHER OPERATING EXPENSES	(12,477,000)	3.2(d)	(63,239,416)	**(75,716,416)**
OPERATING PROFIT (LOSS)	(12,477,000)		1,519,167,221	**1,506,690,221**
OTHER INCOME (CHARGES) – Net				
Fair value gains on investment properties	-	3.2(e)	2,101,097,620	**2,101,097,620**
Interest expense	-	3.2(f)	(21,741,665)	**(21,741,665)**
	-		2,079,355,955	**2,079,355,955**
PROFIT (LOSS) BEFORE TAX	(12,477,000)		3,598,523,176	**3,586,046,176**
TAX EXPENSE	-	3.2 (g)	(319,285,375)	**(319,285,375)**
NET PROFIT (LOSS)	(12,477,000)		3,279,237,801	**3,266,760,801**
OTHER COMPREHENSIVE INCOME	-		-	**-**
TOTAL COMPREHENSIVE INCOME (LOSS)	(P 12,477,000)		P 3,279,237,801	**P 3,266,760,801**
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	(P 1.00)	4		**P 1.29**

See Notes to Pro Forma Condensed Financial Information.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
PRO FORMA CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020
(Amounts in Philippine Pesos)
(Unaudited)

	Notes	
REVENUES		
Rental income	3.3(a)	P 2,039,882,033
Income from dues – net	3.3(b)	126,377,653
		2,166,259,686
COST OF SERVICES	3.3(c)	(131,572,017)
GROSS PROFIT		2,034,687,669
OTHER OPERATING EXPENSES	3.3(d)	(90,026,290)
OPERATING LOSS		1,944,661,379
OTHER CHARGES		
Fair value losses on investment properties	3.3(e)	(2,393,395,000)
Interest expense	3.3(f)	(28,011,439)
		(2,421,406,439)
LOSS BEFORE TAX		(476,745,060)
TAX INCOME	3.3(g)	143,299,662
NET LOSS		(333,445,398)
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE LOSS		(P 333,445,398)
BASIC AND DILUTED LOSS PER SHARE	4	(P 0.13)

Supplementary Information –
The Company has no audited historical comparative financial information to which the pro forma adjustments are applied as it was only incorporated on October 20, 2020; hence, the pro forma financial information presented herein represents the pro forma adjustments.

See Notes to Pro Forma Condensed Financial Information.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
PRO FORMA CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2021
(Amounts in Philippine Pesos)

	March 31, 2021 (Audited)	Notes	Pro Forma Adjustments (Unaudited)	**March 31, 2021 Pro Forma Balances (Unaudited)**
CAPITAL STOCK				
Balance at beginning of period	P 10,000,000		P -	**P 10,000,000**
Issuance of shares during the period	1,240,000,000	3.1(g)	1,282,121,381	**2,522,121,381**
Balance at end of period	1,250,000,000		1,282,121,381	**2,532,121,381**
ADDITIONAL PAID-IN CAPITAL	-	3.1(h)	47,920,287,239	**47,920,287,239**
RETAINED EARNINGS				
Balance at beginning of period	(10,278,820)		-	**(10,278,820)**
Net profit (loss) for the period	(12,477,000)	3.4(a)	3,279,237,801	**3,266,760,801**
Other pro forma adjustments	-	3.4(b)	(3,279,237,801)	**(3,279,237,801)**
Balance at end of period	(22,755,820)		-	**(22,755,820)**
TOTAL EQUITY	P 1,227,244,180		P 49,202,408,620	**P 50,429,652,800**

See Notes to Pro Forma Condensed Financial Information.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
PRO FORMA CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020
(Amounts in Philippine Pesos)
(Unaudited)

	Notes		
CAPITAL STOCK			
Issuance of shares during the year	3.5(a)	P	2,532,121,381
ADDITIONAL PAID-IN CAPITAL	3.5(a)		47,920,287,239
RETAINED EARNINGS			
Balance at beginning of year			-
Net loss for the year	3.5(b)	(	333,445,398)
Other pro forma adjustments	3.5(c)		333,445,398
Balance at end of year			-
TOTAL EQUITY		P	50,452,408,620

Supplementary Information –
The Company has no audited historical comparative financial information to which the pro forma adjustments are applied as it was only incorporated on October 20, 2020; hence, the pro forma financial information presented herein represents the pro forma adjustments.

See Notes to Pro Forma Condensed Financial Information.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
PRO FORMA CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2021
(Amounts in Philippine Pesos)

	March 31, 2021 (Audited)	Notes	Pro Forma Adjustments (Unaudited)	**March 31, 2021 Pro Forma Balances (Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax	(P 12,477,000)	3.6(a)	P 3,598,523,176	**P 3,586,046,176**
Adjustments for:				
Fair value gains on investment properties	-	3.6(b)	(2,101,097,620)	**(2,101,097,620)**
Interest expense	-	3.6(c)	21,741,665	**21,741,665**
Operating profit (loss) before working capital changes	(12,477,000)		1,519,167,221	**1,506,690,221**
Increase in trade receivables	-	3.6(d)	(7,028,262)	**(7,028,262)**
Increase in deferred input value added tax	(9,240)		-	**(9,240)**
Increase in prepayments and other current assets	-	3.6(d)	(81,966,204)	**(81,966,204)**
Increase in accrued expenses	12,486,240		-	**12,486,240**
Decrease in deposits and other liabilities	-	3.6(d)	(42,072,112)	**(42,072,112)**
Cash generated from operations	-		1,388,100,643	**1,388,100,643**
Cash paid for income taxes	-	3.6(e)	(101,647,900)	**(101,647,900)**
Net Cash From Operating Activities	-		1,286,452,743	**1,286,452,743**
CASH FLOW FROM AN INVESTING ACTIVITY				
Deposit made for future acquisition of real properties	(1,240,000,000)	3.1(a)	1,240,000,000	**-**
CASH FLOWS FROM A FINANCING ACTIVITY				
Proceeds from issuance of shares	1,240,000,000	3.6(f)	1,000	**1,240,001,000**
Other pro forma adjustments	-	3.6(g)	(1,286,452,743)	**(1,286,452,743)**
NET INCREASE IN CASH	-		1,240,001,000	**1,240,001,000**
CASH AT BEGINNING OF PERIOD	-		-	**-**
CASH AT END OF PERIOD	P -		P 1,240,001,000	**P 1,240,001,000**

See Notes to Pro Forma Condensed Financial Information

MREIT, INC.

(Formerly Megaworld Holdings, Inc.)

(A Subsidiary of Megaworld Corporation)

PRO FORMA STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

(Amounts in Philippine Pesos)

(Unaudited)

	Notes	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	3.7(a)	(P 476,745,060)
Adjustments for:		
Fair value losses on investment properties	3.7(b)	2,393,395,000
Interest expense	3.7(c)	28,011,439
Impairment loss	3.7(d)	23,013,574
Operating profit before working capital changes		1,967,674,953
Increase in trade receivables	3.7(e)	(43,514,850)
Increase in accrued expenses	3.7(e)	86,240
Increase in due to parent company	3.7(e)	201,820
Increase in deposits and other liabilities	3.7(e)	74,240,541
Cash generated from operations		1,998,688,704
Cash paid for income taxes	3.7(f)	(187,554,277)
Net Cash From Operating Activities		1,811,134,427
CASH FLOWS FROM A FINANCING ACTIVITY		
Proceeds from issuance of shares	3.7(g)	1,250,001,000
Other pro forma adjustments	3.7(h)	(1,821,134,427)
NET INCREASE IN CASH		1,240,001,000
CASH AT BEGINNING OF YEAR		-
CASH AT END OF YEAR		P 1,240,001,000

Supplementary Information –
The Company has no audited historical comparative financial information to which the pro forma adjustments are applied as it was only incorporated on October 20, 2020; hence, the pro forma financial information presented herein represents the pro forma adjustments.

See Notes to Pro Forma Condensed Financial Information

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
NOTES TO PRO FORMA CONDENSED FINANCIAL INFORMATION
MARCH 31, 2021
(With Comparative Pro Forma Condensed Financial Information for the year ended June 30, 2020)
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

MREIT, Inc. (the Company, formerly Megaworld Holdings, Inc.) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. The Company's primary purpose, as amended in April 7, 2021, is to engage in the business of a real estate investment trust, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009* (the "REIT Act"), including its implementing rules and regulations, and other applicable laws.

On February 1, 2021, Megaworld Corporation (MC or the Parent Company) obtained control over the Company by subscribing to 12,400,000 shares of the Company's authorized capital stock with par value of P100 per share or a total of P1,240,000,000. Accordingly, MC acquired 99.20% direct ownership of the Company's total issued and outstanding capital stock.

On the same date, the Company entered into Option Agreements with MC. The Option Agreements grants exclusive right and option for a period of 120 days to the Company to purchase from MC the One Fintech Place, an eight-storey building located in Iloilo Business Park, Iloilo City, and the Two World Square, a 15-storey building located in McKinley Hill, Taguig City, upon payment of option money for each property amounting to P424,303,375 and P815,696,625, respectively. Accordingly, the entire proceeds from the issuance of shares amounting to P1,240,000,000 was subsequently deposited to MC for the future acquisition of the aforementioned real properties. The option agreements were subsequently terminated on May 6, 2021 (see Note 2).

MC is presently engaged in property-related activities such as project design, construction, and property management. MC's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces.

Alliance Global Company, Inc. (AGI) is the Company's ultimate parent company. AGI is a holding company presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-oriented and gaming businesses.

Both MC and AGI are publicly-listed companies in the Philippines.

The registered office address and principal place of business of the Company and MC are located at 18th and 30th Floors, respectively, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The registered office of AGI, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.2 Amendments of Articles of Incorporation and By-Laws

On April 7, 2021, majority of the members of the Board of Directors (BOD) and stockholders of the Company approved the amendments to its Articles of Incorporation and By-Laws, which include, among others, the following:

- change of name of the Company from Megaworld Holdings, Inc. to MREIT, Inc.;

- change in primary purpose of the Company from engaging in investment activities as an investment holdings company to engaging in the business of a real estate investment trust, as provided under the REIT Act and other applicable laws, which business includes: dealing with (1) income-generating real estate; (2) real estate, real estate-related assets, investments and instruments; and, (3) rent, interest, dividends and income arising from its property and investments;

- change in the secondary purposes of the Company to align with its primary purpose;

- change of principal office of the Company from 30th Floor, Alliance Global Tower to 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City;

- change in number of directors from five to seven;

- change in par value of common shares from P100 to P1, resulting in an increase in the number of authorized common shares from 50,000,000 to 5,000,000,000 and subscribed common shares from 12,500,000 to 1,250,000,000; and,

- change in the fiscal year of the Company to begin on the first day of July and end on the last day of June of each year.

On May 19, 2021, the SEC approved the amendments to the Company's Articles of Incorporation and By-Laws. The related approval from the Bureau of Internal Revenue (BIR) was obtained on May 20, 2021.

1.3 Approval of Pro Forma Condensed Financial Information

The unaudited pro forma condensed interim financial information of the Company as of and for the nine months ended March 31, 2021 (including the comparative condensed financial information for the year ended June 30, 2020) were approved and authorized for issue by the Company's BOD on June 7, 2021.

2. BASIS OF PREPARING PRO FORMA CONDENSED FINANCIAL INFORMATION

The pro forma condensed financial information has been prepared in accordance with Section 9, Part II of the Revised Securities Regulation Code Rule 68 (Revised SRC Rule 68). The pro forma condensed financial information has been prepared solely for inclusion in the Real Estate Investment Trust (REIT) Plan prepared by the Company's management in connection with its planned REIT offering. The pro forma condensed financial information should be read in conjunction with the audited interim financial statements of the Company as at and for the three months ended March 31, 2020, the audited combined carve-out interim financial statements of Megaworld Corporation's Assigned Properties to MREIT, Inc. as at and for the nine months ended March 31, 2021 and 2020, and the audited combined carve-out financial statements of Megaworld Corporation's Assigned Properties to MREIT, Inc. as at and for the years ended June 30, 2020, 2019, 2018 and 2017.

The pro forma condensed financial information has been prepared on a cost basis except for investment properties which are accounted for under fair value method of accounting, with changes in fair value being recognized in profit or loss.

In preparation for the planned initial public offering of the Company, the objective of these pro forma condensed financial information is to show the effects of the transactions described in the succeeding paragraphs had they occurred at an earlier date. However, the pro forma condensed financial information are not necessarily indicative of the effects of the results of operations or related effects on the financial position that would have been attained had the aforementioned transactions actually occurred earlier. The pro forma condensed financial information is not intended to be considered in isolation from, or as a substitute for, the financial statements of the Company prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The following are the major transactions reflected in the Company's pro forma condensed financial information:

- *Incorporation of the Company and subsequent Amendment of its Articles of Incorporation*

  The authorized capital stock at the date of incorporation is P5.0 billion or 5.0 billion shares at P1 par value, wherein P10.0 million has been subscribed and paid. The initial capitalization already considers the amendments on the Company's articles of incorporation as described in Note 1.2.

- *Deed of Exchange with MC and other Stock Subscriptions*

  On April 7, 2021, the BOD and stockholders of the Company approved the property-for-share swap transaction (the Property-for-Share Swap) with MC. Subject to the SEC's confirmation of the valuation of the properties and the issuance by the BIR of the Certificate Authorizing Registration, MC transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in certain real properties (the Assigned Properties), free from liabilities and debts and free from all liens and encumbrances, in exchange for 1,282,120,381 common shares with a par value of P1 per share and additional paid-in capital (APIC) of P47,920,287,239. In relation to this, a Deed of Exchange was executed between the Company and MC on May 3, 2021. Details of the Assigned Properties, including their fair values, are presented below.

	Fair Values
Located in Bagumbayan, Murphy, Quezon City:	
1800 Eastwood Avenue	P 6,947,630,000
1880 Eastwood Avenue	6,748,764,000
E Commerce Building	4,188,040,000
Located in Mandurriao, Iloilo City:	
Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower	2,062,266,020
One Techno Place	1,508,694,600
Located in Barangay Pinagsama, Taguig City:	
One World Square	7,528,990,000
Two World Square	5,257,741,000
Three World Square	5,240,508,000
8/10 Upper Mckinley	4,924,563,000
18/20 Upper Mckinley	4,795,211,000
	P49,202,407,620

On May 28, 2021, an individual stockholder subscribed and paid 1,000 common shares of the Company with par value of P1 per share or a total subscription price of P1,000.

- *Execution of Property Management and Fund Management Agreement*

  On May 12, 2021, the Company's BOD approved the property management agreement and fund management agreement with MREIT Property Managers, Inc. (the Property Manager) and MREIT Fund Managers, Inc. (the Fund Manager), respectively. Both are the Company's related parties under common ownership. For services provided to the Company under these agreements, the Property Manager and the Fund Manager shall be entitled to a fee of 2% and 3.5%, respectively, of the Company's gross revenues, exclusive of value-added tax. However, the fees paid to the Property Manager and Fund Manager in any given year shall not exceed one percent of the net asset value (NAV) of the properties under management. The term of both agreements is for a period of five years, commencing on the date of approval of the registration statement by the SEC for the initial public offering of the Company's shares of stock, and the approval of the listing application in accordance with the REIT Law.

- *Cancellation of Deposits for Future Acquisition of Real Properties*

  On April 7, 2021, in light of the Property-for-Share Swap, the Company's BOD approved the cancellation of the Option Agreements entered into by the Company with MC on February 1, 2021 over Two World Square and One Fintech Place and, for this purpose, authorized the execution of Termination Agreements.

  On May 3, 2021, Termination Agreements were executed between the Company and MC, with a material condition directing MC to refund the option money to the Company no later than five banking days from the execution of such agreements.

  The option money was refunded by MC and deposited in the bank account of the Company on May 6, 2021.

- *Assignment of Common Use Service Area (CUSA) and Other Utility Charges to the Company*

  On May 19, 2021, in furtherance of the transfer, assignment and conveyance in favor of the Company of all of MC's rights, title and interests in the Assigned Properties in exchange for the Company's common shares, the Company and MC entered into a Deed of Assignment of Leases assigning all of MC's rights and interests in and to the lease agreements over portions of the Assigned Properties leased out to various entities effective upon the issuance of the Company's common shares in the name of MC under the May 3, 2021 deed of exchange. The assignment includes, but is not limited to, the right to receive and collect from the lessees all monies and payments for rental, taxes, utilities, association dues and other assessments. The security deposits and advance rental payments arising from the lease contracts were also assigned to the Company.

  The common shares were issued to MC on June 2, 2021. Thus, the Deed of Assignment became effective on June 2, 2021. Accordingly, MC sent out a notice to the tenants of the Assigned Properties, that effective June 2, 2021, all payments arising from the lease contracts which include but not limited to payment of rental, CUSA and other utility charges shall accrue in favor of the Company. Likewise, the related direct costs and expenses shall be borne by the Company.

3. PRO FORMA ADJUSTMENTS

The pro forma condensed financial information is based on the historical information of the Company as shown in the audited interim financial statements as at and for the three months ended March 31, 2020, and after giving effect to certain assumptions and pro forma adjustments described in the succeeding paragraphs. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The pro forma condensed financial information does not purport to represent what the results of operations and financial position of the Company would have been had the significant transactions discussed in the succeeding paragraphs occurred as at March 31, 2021 or as of the beginning of the period presented as the case may be, nor does it purport to project the results of operation of the Company for any future period or date. This has been prepared for illustration purposes only and on the assumption that all relevant conditions precedent have been satisfied.

3.1 Pro forma adjustments to the condensed interim statement of financial position as of March 31, 2021

Pro forma adjustments to the condensed interim statement of financial position shall be computed assuming the transaction was consummated at the end of the most recent period for which a statement of financial position as required under Revised SRC Rule 68 and shall include adjustments which give effect to events that are directly attributable to the transaction and factually supportable regardless of whether they have a continuing impact or are nonrecurring.

Pro forma adjustments have been made to include the execution of the Property-for-Share Swap, additional stock subscription and cancellation of deposit for future acquisitions of real properties into the pro forma condensed financial information. For the purpose of the pro forma condensed interim statement of financial position as at March 31, 2021, the following significant transactions are assumed to have occurred on March 31, 2021, end of the period presented:

(a) Cash amounting to P1,240.00 million;
(b) Trade receivables amounting to P307.05 million;
(c) Due from a related party amounting to P718.13 million;
(d) Prepayments and other current assets amounting to P20.60 million;
(e) Investment properties amounting to P49,202.41 million;
(f) Deposits and other liabilities amounting to P1,045.78 million;
(g) Capital stock of P1,282.12 million for the issuance of 1,282.12 million shares at P1 per share; and,
(h) APIC amounting to P47,920.29 million, the excess of fair value of the Assigned Properties over shares issued in accordance with Property-for-Share Swap.

Fair Value Measurement of Investment Properties

The historical financial information of the Megaworld REIT Properties as shown in the audited combined carve-out interim financial statements as at March 31, 2021 and for the nine months ended March 31, 2021 and 2020, accounted for investment properties under the cost model. However, under the REIT Law, there is a need to determine the NAV, the adjusted net asset value reflecting the fair values of total assets and investible funds held by the REIT, less total liabilities. Accordingly, the Company will opt to account for the REIT assets at fair value in accordance with PAS 40, *Investment Property*.

Under fair value accounting, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair values of the Assigned Properties are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Assigned Properties' management with respect to the determination of the inputs such as the size, age, and condition of the properties (buildings), and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Assigned Properties' investment property is its current use.

The independent appraiser used Market Data Approach in determining the fair values of the investment properties. Market Data Approach recognizes the prices determined by the market. Market value can, therefore, be calculated from a study of market prices for assets that compete with one another for market share. This comparative approach considers the sales or offers of similar or substitute asset and related market date and establishes a value estimate by processes involving comparison. In general, an asset being valued (a subject asset) is compared with sales of similar asset that have been transacted in the market. The technique involves direct comparison of the subject asset with similar assets for which actual date on recent market transactions are available. Although sales are the most important, analysis of listings and prices offered for similar assets that compete with the subject may contribute to greater understanding of the market.

The fair values of the buildings are sensitive to the changes in the sales price and listings of comparable property. A significant increase or decrease in the price per square meter of comparable buildings may result to a significant increase or decrease in profit or loss.

3.2 Pro forma adjustments to the pro forma condensed interim statement of comprehensive income for the nine months ended March 31, 2021

Pro forma adjustments have been made to include the Assigned Properties' pro forma condensed interim statement of comprehensive income for the nine months ended March 31, 2021. For this purpose, the following transactions are assumed to have occurred on July 1, 2020, which is the beginning of the period presented:

(a) Rental income amounting to P1,587.08 million;
(b) Income from dues – net amounting to P97.97 million, which pertains to income from CUSA charges;
(c) Cost of services amounting to P102.64 million, which include the property management fee and fund management fee (see Note 2);
(d) Other operating expenses amounting to P63.24 million;
(e) Fair value gains on investment properties amounting to P2,101.10 million (see Note 3.1);
(f) Interest expenses amounting to P21.74 million. Interest expense arises from accretion of interest on security deposits measured at fair value; and,
(g) Tax expense, which composed of current tax and deferred tax, amounting to P319.29 million. Current tax was determined using the 25% regular corporate income tax rate and using itemized deductions. Deferred taxes were also considered using the 25% income tax rate.

The Company presents its income from CUSA, air-conditioning and utility charges net of related cost and expenses in the pro forma condensed statements of comprehensive income.

3.3 Pro forma adjustments to the pro forma condensed statement of comprehensive income for the year ended June 30, 2020

Pro forma adjustments have been made to include the Assigned Properties' pro forma condensed statement of comprehensive income for the year ended June 30, 2020. For this purpose, the transactions are assumed to have occurred on July 1, 2019, which is the beginning of the period presented. In addition, there are no audited historical comparative financial information to which the pro forma adjustments are applied as the Company was only incorporated on October 2, 2020; hence, the pro forma balances presented in the pro forma condensed statement of comprehensive income for the year ended June 30, 2020 represents the pro forma adjustments (see Note 1.1).

(a) Rental income amounting to P2,039.88 million;
(b) Income from dues – net amounting to P126.38 million, which pertains to income from CUSA charges;
(c) Cost of services amounting to P131.57 million. Included in the cost of services are property management fee and fund management fee (see Note 2);
(d) Other operating expenses amounting to P90.03 million. Included in other operating expenses were SEC registration, audit and other fees amounting to P10.28 million incurred when the Company was incorporated on October 2, 2020. These were either paid for or accommodated by the parent company;
(e) Fair value losses on investment properties amounting to P2,393.40 million (see Note 3.1);
(f) Interest expense amounting to P28.01 million. Interest expense arises from accretion of interest on security deposits measured at fair value; and,
(g) Tax income, which is composed of current tax and deferred tax, amounting to P143.30 million. Current tax was determined using the 30% regular corporate income tax rate and using itemized deductions. Deferred taxes were also considered using the 30% income tax rate.

3.4 Pro forma adjustments to the pro forma condensed interim statement of changes in equity for the nine months ended March 31, 2021

For the purpose of the pro forma condensed interim statement of changes in equity for the nine months ended March 31, 2021, the transactions below are assumed to have occurred on July 1, 2020, which is the beginning of the period presented.

(a) Included the pro forma net profit as included in the pro forma condensed interim statement of comprehensive income for the nine months ended March 31, 2021 (see Note 3.2); and,

(b) Other pro forma adjustments amounting to P3,279.24 million have been made to take into account the different assumptions in the pro forma statement of financial position, which already include the execution of Property-for-Share Swap Agreement and the pro forma statement of comprehensive income, which assumed the transactions discussed in Note 3.2 occurred as of July 1, 2020.

3.5 Pro forma adjustments to the pro forma condensed statement of changes in equity for the year ended June 30, 2020

For the purpose of the pro forma condensed statement of changes in equity for the year ended June 30, 2020, the transactions below are assumed to have occurred on July 1, 2019, which is the beginning of the period presented. In addition, there are no audited historical comparative financial information to which the pro forma adjustments are applied as the Company was only incorporated on October 2, 2020; hence, the pro forma balances presented in the pro forma condensed statement of changes in equity for the year ended June 30, 2020 represents the pro forma adjustments (see Note 1.1).

(a) Included all cash subscriptions of common stock and issuance of common stock, including the corresponding APIC, arising from the execution of the Property-for-Share Swap;

(b) Included the pro forma net profit as included in the pro forma statement of comprehensive income for the year ended June 30, 2020 (see Note 3.3); and,

(c) Other pro forma adjustments amounting to P333.45 million have been made to take into account the different assumptions in the pro forma statement of financial position, which already include the execution of Property-for-Share Swap and the pro forma statement of comprehensive income, which assumed the transactions discussed in Note 3.3 occurred as of July 1, 2019.

3.6 Pro forma adjustments to the pro forma condensed interim statement of cash flows for the nine months ended March 31, 2021

For the purpose of the pro forma condensed interim statement of cash flows for the nine months ended March 31, 2021, the following transactions are assumed to have occurred on July 1, 2020, which is the beginning of the period presented:

(a) Pro forma adjustments relating to pro forma profit before tax amounting to P3,598.52 million (see Note 3.2);

(b) Pro forma adjustments relating to fair value gains on investment properties amounting to P2,101.10 million [see Note 3.2(e)];

(c) Pro forma adjustments relating to interest expense amounting to P21.74 million [see Note 3.2(f)];

(d) Pro forma adjustments relating to working capital changes:
- Increase in trade receivables amounting to P7.03 million;
- Increase in prepayments and other current assets amounting to P81.97 million;
- Decrease in deposits and other liabilities amounting to P42.07 million;

(e) Pro forma adjustments relating to cash paid for income taxes amounting to P101.65 million;

(f) Pro forma adjustments relating to additional issuance of common stock amounting to P1,000 or 1,000 shares at P1 par value; and,

(g) Other pro forma adjustments amounting to P1,286.45 million have been made to take into account the different assumptions in the pro forma condensed interim statement of financial position which already include the execution of the Property-for-Share Swap, and the pro-forma statement of cash flows which assumed the transaction occurred as of July 1, 2020.

3.7 Pro forma adjustments to the pro forma condensed statement of cash flows for year ended June 30, 2020

For the purpose of the pro forma condensed statement of changes in cash flows for the year ended June 30, 2020, the transactions are assumed to have occurred on July 1, 2019, which is the beginning of the period presented. In addition, there are no audited historical comparative financial information to which the pro forma adjustments are applied as the Company was only incorporated on October 2, 2020; hence, the pro forma balances presented in the pro forma condensed statement of changes in cash flows for the year ended June 30, 2020 represent the pro forma adjustments (see Note 1.1).

(a) Pro forma adjustments relating to pro forma loss before tax amounting to P476.75 million as (see Note 3.3);
(b) Pro forma adjustments relating fair value losses on investment properties amounting to P2,393.40 million [see Note 3.3(e)];
(c) Pro forma adjustments relating to interest expense amounting to P28.01 million [see Note 3.3(f)];
(d) Pro forma adjustments relating to impairment loss amounting to P23.01 million;
(e) Pro forma adjustments relating to working capital changes:
- Increase in trade receivables amounting to P43.51 million;
- Increase in accrued expenses amounting to P0.09 million;
- Increase in due to parent company amounting to P0.20 million;
- Increase in deposits and other liabilities amounting to P74.24 million;

(f) Pro forma adjustments relating to cash paid for income taxes amounting to P187.55 million;
(g) Pro forma adjustments relating to additional issuance of common stock amounting to P1,250.00 million or 1,250.00 million shares at P1 par value; and,
(h) Other pro forma adjustments amounting to P1,821.13 million have been made to take into account the different assumptions in the pro forma condensed interim statement of financial position which already include the execution of the Property-for-Share Swap, and the pro forma statement of cash flows which assumed the transaction occurred as of July 1, 2019.

4. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share amounts were computed as follows:

(a) Pro forma basic and diluted earnings (loss) share for the nine months ended March 31, 2021 and for the year ended June 30, 2020 is presented below.

	March 31, 2021	June 30, 2020
Pro forma net profit (loss) for the period	**P3,266,760,801**	(P 333,445,398)
Divided by pro forma weighted number of outstanding common shares	**2,532,121,381**	2,532,121,381
Pro forma basic and diluted earnings (loss) per share	**P 1.29**	(P 0.13)

(b) Historical basic and diluted loss per share for the three months ended March 31, 2021 is presented below.

Net loss for the period	P	12,477,000
Divided by weighted number of outstanding common shares		12,500,000
Basic and diluted loss per share	P	1.00

The Company assessed that there were no potential dilutive common shares in 2021 and 2020.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megaworld Holdings, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of December 31, 2020 and for the period ended from October 2 to December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

KEVIN ANDREW L. TAN
Chairman of the Board

LOURDES T. GUTIERREZ-ALFONSO
President

FRANCISCO C. CANUTO
Treasurer

Signed this 26th day of April, 2021

P&A
Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
Megaworld Holdings, Inc.
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Megaworld Holdings, Inc. (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in capital deficiency and statement of cash flows for the period October 2, 2020 to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the period October 2, 2020 to December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

As mentioned in Note 1 to the financial statements, the Company was incorporated on October 2, 2020 and has not yet started commercial operations as at December 31, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The supplementary information for the period October 2, 2020 to December 31, 2020 required by the Bureau of Internal Revenue (BIR) is presented by the management of the Company in a supplementary schedule filed separately from the basic financial statements. The BIR requires the information to be presented in the notes to financial statements. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is also not a required disclosure under Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission. Such supplementary information is the responsibility of management. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

PUNONGBAYAN & ARAULLO

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 28 2021

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 26, 2021

P&A
Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Supplemental Statement of Independent Auditors

The Board of Directors
Megaworld Holdings, Inc.
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited the financial statements of Megaworld Holdings, Inc. (the Company) for the period October 2, 2020 to December 31, 2020, on which we have rendered the attached report dated April 26, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has only one stockholder owning 100 or more shares of the Company's capital stock as of December 31, 2020, as disclosed in Note 6 to the financial statements.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 26, 2021

MEGAWORLD HOLDINGS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(Amounts in Philippine Pesos)

	Notes		
ASSET			
CURRENT ASSET			
Deferred input value-added tax		P	9,240
LIABILITIES AND CAPITAL DEFICIENCY			
CURRENT LIABILITIES			
Accrued expense		P	86,240
Due to a related party	5		201,820
Total Liabilities			288,060
CAPITAL DEFICIENCY			
Capital stock	6		10,000,000
Deficit		(	10,278,820)
Capital Deficiency		(	278,820)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		P	9,240

See Notes to Financial Statements.

MEGAWORLD HOLDINGS, INC.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD OCTOBER 2, 2020 TO DECEMBER 31, 2020*
(Amounts in Philippine Pesos)

INCOME	P -
EXPENSES	
Taxes and licenses	10,201,820
Professional fees	77,000
	10,278,820
NET LOSS	10,278,820
OTHER COMPREHENSIVE INCOME	-
TOTAL COMPREHENSIVE LOSS	P 10,278,820

* The Company was incorporated on October 2, 2020 and has not yet started its commercial operations as of December 31, 2020.

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 28 2021

MEGAWORLD HOLDINGS, INC.
STATEMENT OF CHANGES IN CAPITAL DEFICIENCY
FOR THE PERIOD OCTOBER 2, 2020 TO DECEMBER 31, 2020*
(Amounts in Philippine Pesos)

	Note		
CAPITAL STOCK			
Issuance of shares during the period	6	P	10,000,000
DEFICIT			
Net loss during the period		(	10,278,820)
CAPITAL DEFICIENCY		(P	278,820)

* The Company was incorporated on October 2, 2020 and has not yet started its commercial operations as of December 31, 2020.

See Notes to Financial Statements.

APR 2 8 2021

MEGAWORLD HOLDINGS, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD OCTOBER 2, 2020 TO DECEMBER 31, 2020*
(Amounts in Philippine Pesos)

	Note	
CASH FLOWS FROM PRE-OPERATING ACTIVITIES		
Net loss		(P 10,278,820)
Increase in deferred input value-added tax		(9,240)
Increase in accrued expense		86,240
Increase in due to a related party		201,820
Net Cash Used in Pre-operating Activities		(10,000,000)
CASH FLOW FROM A FINANCING ACTIVITY		
Proceeds from issuance of shares	6	10,000,000
CASH AT THE END OF PERIOD		P -

* The Company was incorporated on October 2, 2020 and has not yet started its commercial operations as of December 31, 2020.

See Notes to Financial Statements.

APR 2 8 2021

MEGAWORLD HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Megaworld Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. The Company's primary purpose is to engage in investment activities as an investment holdings company. As of December 31, 2020, the Company has not yet started its commercial operations.

The registered office address and principal place of business of the Company is located at 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City.

1.2 Approval of Financial Statements

The financial statements of the Company as of December 31, 2020 and for the period October 2, 2020 to December 31, 2020 were authorized for issue by the Company's Board of Directors (BOD) on April 26, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to the period presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

Because of the size of the Company's total assets and total liabilities (less than P3,000,000), the Company is considered a micro entity under the revised rules of the SEC and may prepare the financial statements in accordance with the income tax basis of accounting or Philippine Financial Reporting Standards for Small Entities (PFRS for SEs). However, a micro entity may use PFRS for SEs or another financial reporting framework in preparing the financial statements based on management's assessment on its acceptability, after considering the nature of the Company and the objective of the financial statements or the requirements of the law or regulations. Accordingly, the Company opted to use PFRS.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 New and Amended PFRS Effective Subsequent to 2020 but not Adopted Early

There are new amendments and annual improvements to existing standards that are effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the relevant pronouncements below in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

(i) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, only PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities* (effective January 1, 2022), is relevant to the Company. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

(iii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

(a) *Financial Assets*

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(b) *Financial Liabilities*

Financial liabilities, which pertain to Accrued Expense and Due to a Related Party, are recognized when the Company becomes a party to the contractual terms of the instrument.

Accrued Expense and Due to a Related Party are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to setoff the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Other Assets

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.5 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.6 Expense Recognition

Expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred.

2.7 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.8 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.9 Capital Deficiency

Capital stock represents the nominal value of shares that have been issued.

Deficit represents all current period results of pre-operations as reported in the statement of comprehensive income.

2.10 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements (see Note 12).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

In the process of applying the Company's accounting policies, judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.5 and disclosures on relevant provisions and contingencies are presented in Note 7.

3.2 Key Sources of Estimation Uncertainty

The only key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period relates to the determination of the realizable amount of deferred tax asset. The Company reviews its deferred tax asset at the end the reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax asset arising from net operating loss carry-over (NOLCO) as at December 31, 2020 will not be fully utilized within the subsequent reporting periods; hence, were not recognized (see Note 4).

4. INCOME TAXES

The Company has not yet started commercial operations; hence, it is in a tax loss position for the period October 2, 2020 to December 31, 2020. Furthermore, it is not yet subject to the minimum corporate income tax (MCIT), computed at 2% of gross income as defined under the tax regulations, as the Company had only been incorporated on October 2, 2020. The Company will only be subjected to MCIT at the beginning of 2024 taxable year.

The NOLCO incurred in 2020 amounting to P10,278,820 can be claimed as a deduction from future taxable income within five years after the year it was incurred, pursuant to Section 4 (bbbb) of Republic Act (R.A.) No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented under Bureau of Internal Revenue under Revenue Regulations No. 25-2020.

For financial reporting purposes, the deferred tax assets to the Company's NOLCO was not recognized (see Note 3.2). As of December 31, 2020, the amount of unrecognized deferred tax asset amounts to P3,083,646.

In 2020, the Company claimed itemized deductions in computing its income tax due.

5. RELATED PARTY TRANSACTIONS

The Company's related parties include its related party under common management and others as described in Note 2.8. The Company's transactions with its related parties are described below.

5.1 Accommodation of Expenses

In 2020, a portion of the SEC registration fees under Taxes and Licenses amounting to P201,820 was paid by a related party under common management. Such amount is still outstanding as of December 31, 2020 and is presented as Due to a Related Party in the statement of financial position. This outstanding balance is unsecured, noninterest-bearing and is payable in cash on demand or through offsetting arrangement.

5.2 Key Management Personnel Compensation

There were no key management personnel compensation incurred in 2020 as the Company's management and administrative functions were handled by a related party under common management at no cost or consideration to the Company.

6. CAPITAL STOCK

The Company has authorized capital stock of P5,000,000,000 divided into 50,000,000 shares with a par value of P100 per share, P10,000,000 of which has been subscribed and paid as of December 31, 2020.

As of December 31, 2020, the Company has one stockholder owning 100 or more shares of the Company's capital stock.

7. COMMITMENTS AND CONTINGENCIES

There are commitments and contingent liabilities that may arise in the normal course of the Company's operations, which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements.

8. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to liquidity risk in relation to its financial liabilities. The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets.

As at December 31, 2020, the Company's maximum liquidity risk is the carrying amount of total liabilities in the statement of financial position totaling to P288,060. The Company's financial liabilities consist of accrued expense which have contractual maturities of within six months from the end of the reporting period and due to a related party which is due upon demand.

The contractual maturities reflect the gross cash flows and the carrying values of the liabilities at the end of the reporting period.

9. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

9.1 Carrying Amounts and Fair Values by Category

The fair values of financial liabilities are approximately equal to their carrying amounts as of the reporting date due to the short-term nature of the transactions.

See Note 2.3 for a description of the accounting policies for each category of financial liabilities. A description of the Company's risk management objectives and policies for financial liabilities is provided in Note 8.

9.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2020 and does not have relevant offsetting arrangements. Financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BODs and stockholders. There was no potential offsetting in 2020.

10. FAIR VALUE MEASUREMENT AND DISCLOSURE

10.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurements*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

10.2 Financial Liabilities Measured at Amortized Cost for which Fair Value is Disclosed

The Company's financial liabilities which are not measured at fair value in the statement of financial position but for which fair value is disclosed pertains to accrued expense and due to a related party which are categorized as Level 3. Management considers that the carrying amount of these financial liabilities approximate their fair values due to their short-term duration.

11. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

As of December 31, 2020, the Company is not exposed to any externally-imposed capital requirements.

12. EVENT AFTER THE REPORTING PERIOD

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The CREATE Act aims to lower certain corporate taxes and rationalize tax incentives given to certain taxpayers.

Given that the CREATE Act was signed after the end of the current reporting period, the Company determined that this event is a non-adjusting subsequent event. Also, the Company has determined that the changes brought about by the CREATE Act do not have significant impact on the Company's financial statements.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MREIT, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of and for the three months ended March 31, 2021, and as of December 31, 2020 and for the period October 2 to December 31, 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

FRANCISCO C. CANUTO
Chairman of the Board

KEVIN ANDREW L. TAN
President

GIOVANNI C. NG
Treasurer

Signed this 19th day of May, 2021

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
MREIT, Inc.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

We have audited the interim financial statements of MREIT, Inc. (the Company), which comprise the interim statement of financial position as of March 31 2021, and the interim statement of comprehensive loss, interim statement of changes in equity and interim statement of cash flows for the three months then ended, and notes to the interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and its financial performance and its cash flows for the three months then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Interim Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics) together with the ethical requirements that are relevant to our audit of the interim financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

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Emphasis of Matter

As disclosed in Note 1 to the interim financial statements, the Company was incorporated on October 2, 2020 and has not yet started commercial operations as of March 31, 2021.

Other Matter

We have previously audited the Company's financial statements as of December 31, 2020 and for the period October 2 to December 31, 2020, which are presented herein for comparative purposes, on which we have rendered our report thereon dated April 26, 2021.

Responsibilities of Management and Those Charged with Governance for the Interim Financial Statements

Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim financial statements, including the disclosures, and whether the interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 19, 2021

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021
(With Comparative Figures as of December 31, 2020)
(Amounts in Philippine Pesos)

	Notes	March 31, 2021	December 31 2020
A S S E T S			
CURRENT ASSET			
Deferred input value-added tax		**P 18,480**	P 9,240
NON-CURRENT ASSET			
Deposit for future acquisition of real properties	6, 11	**1,240,000,000**	-
TOTAL ASSETS		**P 1,240,018,480**	P 9,240
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)			
CURRENT LIABILITIES			
Accrued expenses	4	**P 12,572,480**	P 86,240
Due to parent company	6	**201,820**	201,820
Total Liabilities		**12,774,300**	288,060
EQUITY (CAPITAL DEFICIENCY)			
Capital stock	7	**1,250,000,000**	10,000,000
Deficit		**(22,755,820)**	(10,278,820)
Equity (Capital Deficiency)		**1,227,244,180**	(278,820)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		**P 1,240,018,480**	P 9,240

See Notes to Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENT OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(With Comparative Figures for the period October 2 to December 31, 2020)*
(Amounts in Philippine Pesos)

	Note	**March 31, 2021 (Three Months)**	December 31, 2020 (Three Months)
INCOME		**P -**	P -
EXPENSES	4		
Taxes and licenses		**12,400,000**	10,201,820
Professional fees		**77,000**	77,000
		12,477,000	10,278,820
NET LOSS		**12,477,000**	10,278,820
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE LOSS		**P 12,477,000**	P 10,278,820

* The Company was incorporated on October 2, 2020 and has not yet started its commercial operations as of March 31, 2021.

See Notes to Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENT OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(With Comparative Figures for the period October 2 to December 31, 2020)*
(Amounts in Philippine Pesos)

	Note	**March 31, 2021 (Three Months)**	December 31, 2020 (Three Months)
CAPITAL STOCK			
Balance at beginning of period		**P 10,000,000**	P -
Issuance of shares during the period	7	**1,240,000,000**	10,000,000
Balance at end of period		**1,250,000,000**	10,000,000
DEFICIT			
Balance at beginning of period		**(10,278,820)**	-
Net loss during the period		**(12,477,000)**	(10,278,820)
Balance at end of period		**(22,755,820)**	(10,278,820)
EQUITY (CAPITAL DEFICIENCY)		**P 1,227,244,180**	(P 278,820)

* The Company was incorporated on October 2, 2020 and has not yet started its commercial operations as of March 31, 2021.

See Notes to Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(With Comparative Figures for the period October 2 to December 31, 2020)*
(Amounts in Philippine Pesos)

	Notes	**March 31, 2021 (Three Months)**	December 31, 2020 (Three Months)
CASH FLOWS FROM PRE-OPERATING ACTIVITIES			
Net loss		**(P 12,477,000)**	(P 10,278,820)
Increase in deferred input value-added tax		**(9,240)**	(9,240)
Increase in accrued expenses		**12,486,240**	86,240
Increase in due to parent company		**-**	201,820
Net Cash From Pre-operating Activities		**-**	(10,000,000)
CASH FLOW FROM AN INVESTING ACTIVITY			
Deposit made for future acquisition of real properties	6	**(1,240,000,000)**	-
CASH FLOW FROM A FINANCING ACTIVITY			
Proceeds from issuance of shares	7	**1,240,000,000**	10,000,000
CASH AT THE BEGINNING AND END OF PERIOD		P **-**	P -

* The Company was incorporated on October 2, 2020 and has not yet started its commercial operations as of March 31, 2021.

See Notes to Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2021
(With Comparative Figures as of December 31, 2020)
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

MREIT, Inc. (the Company, formerly Megaworld Holdings, Inc.) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. The Company's primary purpose, as amended in April 2021, is to engage in the business of a real estate investment trust, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009* (the "REIT Act"), including its implementing rules and regulations, and other applicable laws. As of March 31, 2021, the Company has not yet started its commercial operations.

On February 1, 2021, Megaworld Corporation (MC or the Parent Company) obtained control over the Company by subscribing to 12,400,000 shares of the Company's authorized capital stock with par value of P100 per share or a total of P1,240,000,000. Accordingly, MC acquired 99.20% direct ownership of the Company's total issued and outstanding capital stock (see Note 7). MC is presently engaged in property-related activities such as project design, construction, and property management. MC's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI) is the Company's ultimate parent company. AGI is a holding company presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-oriented and gaming businesses.

Both MC and AGI are publicly-listed companies in the Philippines.

On April 7, 2021, majority of the members of the Board of Directors (BOD) and stockholders of the Company approved the amendments to the Articles of Incorporation and By-Laws of the Company, which include, among others, the following:

- change of name of the Company from Megaworld Holdings, Inc. to MREIT, Inc.;

- change in primary purpose of the Company from engaging in investment activities as an investment holdings company to engaging in the business of a real estate investment trust, as provided under the REIT Act and other applicable laws, which business includes: dealing with (1) income-generating real estate; (2) real estate, real estate-related assets, investments and instruments; and, (3) rent, interest, dividends and income arising from its property and investments;

- change in the secondary purposes of the Company to align with its primary purpose;

- change of principal office of the Company from 30th Floor, Alliance Global Tower to 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City;

- change in par value of common shares from P100 to P1, resulting to an increase in the number of common shares from 50,000,000 to 5,000,000,000; and,

- change in the fiscal year of the Company to begin on the first day of July and end on the last day of June of each year.

On May 19, 2021, the SEC approved the amendments to the Company's Articles of Incorporation and By-Laws.

The registered office address and principal place of business of the Company and MC are located at 18th and 30th Floors, respectively, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The registered office of AGI, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The interim financial statements of the Company as of and for the three months ended March 31, 2021 (including the comparative financial statements as of December 31, 2020 and for the period October 2, 2020 to December 31, 2020) were authorized for issue by the Company's BOD on May 19, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to the periods presented, unless otherwise stated.

2.1 Basis of Preparation of Interim Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The interim financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The interim financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Interim Financial Statements

The interim financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These interim financial statements are presented in Philippine pesos, the Company's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the interim financial statements of the Company are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2021 that is Relevant to the Company*

The Company adopted for the first time PFRS 9 (Amendments), *Financial Instruments*, PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform - Phase 2* which are mandatorily effective for annual periods beginning on or after January 1, 2021. The amendments provide practical expedients for changes in the basis for determining the contractual cash flows and reliefs from certain hedge accounting requirements due to alteration of interest rate benchmark as a result of interest rate benchmark reform. Moreover, it requires an entity to disclose information that enable users to understand the nature and extent of risks resulting from interest rate benchmark reform, the management of such risks, the progress of transition to alternative benchmark rates and the management of such transition. The application of these amendments had no significant impact on the Company's interim financial statements.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are new amendments and annual improvements to existing standards that are effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the relevant pronouncements below and in the succeeding page in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's interim financial statements.

(i) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, only PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities* (effective January 1, 2022), is relevant to the Company. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

(iii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(iv) PAS 1 (Amendments), *Presentation of Financial Statements* and PFRS Practice Statement 2 (Amendments), *Making Materiality Judgments – Disclosure of Accounting Policies* (effective January 1, 2023). The amendments specify the requirement for an entity to disclose its material accounting policies instead of its significant accounting policies and provide guidance and examples with regards to application of the four-step materiality process in the identification of material accounting policy disclosures.

(v) PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates* (effective January 1, 2023). The amendments clarify the definition of accounting estimates as monetary amounts in the financial statements that are subject to measurement uncertainty and the difference of changes in accounting estimates from changes in accounting policies and corrections of prior period errors.

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the relevant financial asset classification applicable to the Company is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

(ii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which pertain to Accrued Expenses and Due to Parent Company, are recognized when the Company becomes a party to the contractual terms of the instrument.

Accrued Expenses and Due to Parent Company are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to setoff the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Other Assets

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the interim financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Deposit for future acquisition of real properties pertains to payment made to seller of real properties for the exclusive right and option to purchase the subject properties intended for as investment properties for a period not exceeding 120 days from the date the deposit is made. The Company present deposit for future acquisition of real properties that are intended for investment properties as a non-current asset in the statement of financial position.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.5 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the interim financial statements. Similarly, probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the interim financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.6 Expense Recognition

Expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred.

2.7 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.8 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.9 Equity

Capital stock represents the nominal value of shares that have been issued.

Deficit represents all current and prior period results of pre-operations as reported in the statement of comprehensive income.

2.10 Events After the End of the Reporting Period

Any event after the end of the reporting period that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the interim financial statements. Events after the end of the reporting period that are not adjusting events, if any, are disclosed when material to the interim financial statements (see Note 11).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's interim financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the interim financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

In the process of applying the Company's accounting policies, judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.5 and disclosures on relevant provisions and contingencies are presented in Note 8.

3.2 Key Sources of Estimation Uncertainty

The only key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period relates to the determination of the realizable amount of deferred tax asset. The Company reviews its deferred tax asset at the end the reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax asset arising from net operating loss carry-over (NOLCO) as of March 31, 2021 will not be fully utilized within the subsequent reporting periods; hence, were not recognized (see Note 5).

4. ACCRUED EXPENSES

The Company has an outstanding obligation arising from the incurrence of taxes and licenses, and professional fees amounting to P12,572,480 and P86,240 as of March 31, 2021 and December 31, 2020, respectively, and is presented as Accrued Expenses in the interim statement of financial position.

5. INCOME TAXES

The Company has not yet started commercial operations; hence, it is in a tax loss position for the three months ended March 31, 2021 and for the period October 2, 2020 to December 31, 2020. Furthermore, it is not yet subject to the minimum corporate income tax (MCIT), computed at the applicable rate of gross income as defined under the tax regulations, as the Company had only been incorporated in October 2020. The Company will only be subjected to MCIT at the beginning of 2024 taxable year.

The NOLCO incurred for the three months ended March 31, 2021 and for the period October 2, 2020 to December 31, 2020 amounting to P12,477,000 and P10,278,820, respectively, can be claimed as a deduction from future taxable income within five years after the year it was incurred, pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented under Bureau of Internal Revenue's (BIR) Revenue Regulations No. 25-2020.

For financial reporting purposes, the deferred tax assets to the Company's NOLCO was not recognized (see Note 3.2). As of March 31, 2021 and December 31, 2020, the amount of unrecognized deferred tax asset amounts to P5,688,955 and P2,569,705, respectively.

For the three months ended March 31, 2021 and for the period October 2, 2020 to December 31, 2020, the Company opted to claim itemized deductions in computing for its income tax due.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The CREATE Act aims to lower certain corporate taxes and rationalize tax incentives given to certain taxpayers. The CREATE Act has no impact on the Company's interim financial statements.

6. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company and others as described in Note 2.8. The Company's transactions with its related parties are described below and in the succeeding page.

6.1 Accommodation of Expenses

In 2020, portion of the SEC registration fees amounting to P201,820 was paid by the Parent Company. Such amount is still outstanding as of both March 31, 2021 and December 31, 2020 and is presented as Due to Parent Company in the interim statement of financial position. This outstanding balance is unsecured, noninterest-bearing and is payable in cash on demand or through offsetting arrangement. There was no similar transaction in 2021.

6.2 Deposit for Future Acquisition of Real Properties

On January 9, 2021, the Company's BOD approved the proposed subscription of the Parent Company to 12,400,000 common shares of the Company with par value of P100 per share or a total subscription price of P1,240,000,000.00. On the same date, the Company's BOD also authorized the execution of Option Agreements granting exclusive right and option for a period of 120 days to the Company to purchase from the Parent Company the One Fintech Place, an eight-storey building located in Iloilo Business Park, Iloilo City, and the Two World Square, a 15-storey building located in McKinley Hill, Taguig City, upon payment of option money for each property amounting to P424,303,375 and P815,696,625, respectively.

On February 1, 2021, a Subscription Agreement was executed between the Company and the Parent Company wherein the total subscription price has been fully collected by the Company (see Notes 1 and 7). On the same date, the Company entered into Option Agreements with the Parent Company. Accordingly, the entire proceeds from the issuance of shares amounting to P1,240,000,000 was subsequently deposited to the Parent Company for the future acquisition of the aforementioned real properties.

On May 3, 2021, Termination Agreements were executed between the Company and the Parent Company cancelling the Option Agreements (see Note 11.2). As of March 31, 2021, P1,240,000,000 is presented as Deposit for Future Acquisition of Real Properties in the interim statement of financial position.

6.3 Key Management Personnel Compensation

There were no key management personnel compensation incurred as the Company's management and administrative functions were handled by the Parent Company at no cost or consideration to the Company.

7. CAPITAL STOCK

On October 2, 2020, the Company was incorporated with a total authorized capital stock of P5,000,000,000 divided into 50,000,000 common shares with a P100 par value per share, of which P10,000,000 has been subscribed and paid.

On February 1, 2021, MC has subscribed and paid 12,400,000 shares with par value of P100 per share or a total of P1,240,000,000 (see Notes 1 and 6.2).

As of March 31, 2021 and December 31, 2020, the Company has two and one stockholder(s), respectively, owning 100 or more shares each of the Company's capital stock.

8. COMMITMENTS AND CONTINGENCIES

There are commitments and contingent liabilities that may arise in the normal course of the Company's operations, which are not reflected in the interim financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's interim financial statements.

9. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to liquidity risk in relation to its financial liabilities. The Company's risk management is coordinated with the BOD and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets.

As of March 31, 2021 and December 31, 2020, the Company's maximum liquidity risk is the carrying amounts of total liabilities in the interim statement of financial position totalling to P12,774,300 and P288,060, respectively. The Company's financial liabilities consist of accrued expenses which have contractual maturities of within six months from the end of the reporting period and due to Parent Company which is payable upon demand.

The contractual maturities reflect the gross cash flows and the carrying values of the liabilities at the end of the reporting period.

10. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

As of March 31, 2021 and December 31, 2020, the Company is not exposed to any externally-imposed capital requirements.

11. EVENTS AFTER THE REPORTING PERIOD

11.1 Property-for-share Swap

On April 7, 2021, the BOD and stockholders of the Company approved the property-for-share swap transaction with the Parent Company. Subject to the SEC's confirmation of the valuation of the properties and the issuance by the BIR of the Certificate Authorizing Registration, the Parent Company transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in certain real properties, free from liabilities and debts and free from all liens and encumbrances, in exchange for 1,282,120,381 common shares with a par value of P1 per share and additional paid in capital of P47,920,287,239.

As a result of the issuance of additional common shares, the Parent Company shall further increase its control and ownership interest to 99.61% of the total issued and outstanding capital stock of the Company.

As of the date of issuance of the Company's interim financial statements, the Deed of Exchange has not yet been consummated.

11.2 Termination of Option Agreements

On April 7, 2021, in light of the property-for-share swap, the Company's BOD approved the cancellation of the Option Agreements entered into by the Company with the Parent Company on February 1, 2021 over Two World Square and One Fintech Place and, for this purpose, authorized the execution of Termination Agreements (see Note 6.2).

On May 3, 2021, Termination Agreements were executed between the Company and the Parent Company, with a material condition directing the Parent Company to refund the option money to the Company no later than five banking days from the execution of such agreements.

The option money was refunded by the Parent Company and deposited in the bank account of the Company on May 6, 2021.

ANNEX 1

REINVESTMENT PLAN

Annex "1"

MEGAWORLD

M·REIT
A MEGAWORLD COMPANY

REINVESTMENT PLAN

In connection with the Secondary Offer by Megaworld Corporation
of **844,300,000** Common Shares of MREIT, Inc., with an
Overallotment Option of up to 105,537,500 Common Shares

Offer Price: **₱16.10** per share

to be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.

As of September 9, 2021

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A. EXECUTIVE SUMMARY

This Reinvestment Plan sets forth the planned use of the net proceeds received by Megaworld Corporation (referred to herein as "**Megaworld**" or the "**Company**") from the secondary offer of MREIT, Inc. shares.

MREIT, Inc. (formerly Megaworld Holdings, Inc.) ("**MREIT**") has an authorized capital stock of ₱5,000,000,000.00, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share (each, a "**Share**"). As of the date of this REIT Plan, MREIT has 2,532,121,381 Shares issued and outstanding. MREIT has no preferred shares and no Shares held in treasury.

The Offer comprises secondary offer of Shares held by Megaworld, the Selling Shareholder. The Firm Shares will comprise **844,300,000** issued Shares owned by Megaworld, to be offered by way of a secondary offer. The Option Shares will comprise up to 105,537,500 issued Shares owned by Megaworld, to be offered by way of a secondary offer. The Firm Shares shall be offered at a price of **₱16.10** per Share (the "**Offer Price**").

Upon completion of the Offer, a total of 2,532,121,381 Shares will be issued and outstanding. The Offer Shares will represent approximately **37.5%** of the issued and outstanding capital stock of MREIT after completion of the Offer, assuming the full exercise of the Overallotment Option, and approximately **33.3%** of the issued and outstanding capital stock of MREIT after completion of the Offer, assuming no exercise of any Overallotment Option.

Upon completion of the Offer, the Shares owned by Megaworld will represent approximately 62.1% of the issued and outstanding capital stock of MREIT, assuming the full exercise of the Overallotment Option, and approximately 66.3% of the issued and outstanding capital stock of MREIT, assuming no exercise of any Overallotment Option.

Assuming full exercise of the Overallotment Option, the total proceeds to be raised by Megaworld from the sale of the Offer Shares will be approximately ₱15,292 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder shall be approximately ₱14,695 million. Megaworld's total proceeds to be raised from the sale of the Firm Shares, assuming no exercise of any Overallotment Option, will be approximately ₱13,593 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder, shall be approximately ₱13,046 million.

Pursuant to Securities and Exchange Commission Memorandum Circular No. 1, series of 2020, and Bureau of Internal Revenue Revenue Regulations No. 3-2020, any sponsor/promoter of a REIT who contributes income-generating real estate to a REIT, shall submit a sworn statement to the SEC, the Philippine Stock Exchange, and the BIR, a reinvestment plan undertaking to reinvest any proceeds realized by the sponsor/promoter from the sale of REIT shares or other securities issued in exchange for income-generating real estate transferred to the REIT, and any money raised by the sponsor/promoter from the sale of any of its income-generating real estate to the REIT, in any real estate, including any redevelopment thereof, and/or infrastructure projects in the Philippines, within one (1) year from the date of receipt of proceeds or money by the sponsor/promoter.

Following current regulations, Megaworld intends to invest its net proceeds in fifteen (15) commercial facilities comprising ten (10) office towers with retail components in Metro Manila, Bacolod, Iloilo and Pampanga, two (2) mixed use mall and office developments in Luzon, two (2) malls in Bacolod and one (1) future hotel project. All disbursements for such projects are intended to be distributed within one year upon receipt of the proceeds from the secondary offer of MREIT shares. Megaworld does not intend to reinvest the net proceeds from the Offer Shares in any infrastructure project other than the fifteen (15) Megaworld projects aforementioned.

B. ABOUT THE SPONSOR

1. Overview

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large scale mixed-use planned communities, or community townships, that comprise residential, commercial and office developments and integrate leisure, entertainment and educational/training components. Founded in 1989, the Company initially established a reputation for building high quality residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City project. In addition, the Company engages in other property related activities such as project design, construction oversight and property management.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses as well as office projects and retail space. The Company has the following three primary business segments: (i) real estate sales of residential developments (ii) leasing of office space, primarily to Business Process Outsourcing ("BPO") enterprises and retail space and (iii) management of hotel operations. The Company's consolidated revenues for the year ended 31 December 2020 were ₱43 billion compared to ₱67 billion for the year ended 31 December 2019. Real estate sales of residential developments accounted for 57%. of the Company's consolidated revenues in 2020 and 63% in 2019. Rental income from leasing operations accounted for approximately 30%. of the Company's consolidated revenues in both 2020 and 25% in 2019. The Company's consolidated net profit for the year ended 31 December 2020 was ₱10.6 billion compared to ₱19.3 billion for the year ended 31 December 2019.

As of 31 December 2020, the Company owns or has development rights to over 4,300 hectares of land located throughout the Philippines.

The Company’s common shares were listed on The Philippine Stock Exchange (“PSE”) in 1994 (under listing code “MEG”) and as of March 31, 2021 had a market capitalization of ₱114.1 billion (US$2.4 billion).

HISTORY OF THE SPONSOR

MEGAWORLD

August 24, 1989

Megaworld was founded by Andrew L. Tan

The company focused in stand-alone high-end residential condos and office buildings in the Metro

June 15, 1994

Megaworld's common stock was listed on the PSE (under code listing "MEG")

1996

Eastwood City was launched

1999

PEZA declares Eastwood City as the country's 1st IT Business Park

2002

Forbes Town in Fort Bonifacio was launched

2004

Megaworld launches McKinley Hill in Fort Bonifacio

2005

Newport City in Pasay City became the country's 1st Integrated Tourism Township

2006

Launch of Manhattan Garden City in Araneta Center

2009

Newport City opens Resorts World Manila

2010

Megaworld launches McKinley West in Fort Bonifacio

2011

Uptown Bonifacio is started in Fort Bonifacio

2012

Mactan Newtown becomes Megaworld's 1st township in Cebu

Megaworld Lifestyle Malls is established

2013

Iloilo Business Park is launched

Suntrust Ecotown in Tanza, Cavite is started

The McKinley Hill Stadium is built

2014

Davao Park District becomes Megaworld's 1st township in Mindanao

Acquired Global-Estate Resorts Inc. (GERI)

Launched Alabang West in Las Piñas City

Launched Southwoods City

8 Campus Place in McKinley Hill is the 1st LEED Gold-Certified for "Core and Shell" for BPO in the country

Launch of The Palladium in Iloilo Business Park

Launch of Davao Finance Center in Davao Park District

2015

Megaworld launches ArcoVia City in Pasig City

The Upper East and Northill Gateway are launched in Bacolod City

Launch of Sta. Barbara Heights in Iloilo, through GERI

Launch of the Iloilo Convention Center

Belmont Hotel in Newport City is launched

Launch of Westside City in Parañaque City

2016

Megaworld launches Maple Grove in General Trias, Cavite

Launch of One Republic Plaza and Emperador House in Davao

Eastland Heights is launched, through GERI

2017

Megaworld launches Capital Town Pampanga in San Fernando, Pampanga

The Hamptons Caliraya in Laguna is launched, through GERI

2018

Unveiled the Iloilo Museum of Contemporary Art

2019

Launch of Highland City in Cainta, Rizal, with subsidiary Empire East

Launch of Arden Botanical Estate in Cavite

Opened Twin Lakes Hotel in Tagaytay City

Opened Savoy Hotel Mactan in Cebu

Opened Belmont Hotel Boracay in Boracay Newcoast in Aklan

2020

Launched AGILE DIGITAL VENTURES and its 1st start-up investment, PICK.A.ROO delivery app

March 31, 2021

Megaworld has a total of 26 master-planned integrated urban townships

Megaworld is listed on the PSE market capitalization of P114.1 billion(US$2.4 billion)

Is the biggest developer of office spaces in the Philippines

Megaworld has 725 residential buildings • 72 premier offices • 24 lifestyle malls and commercial centers • 12 hotel brands and condotels


MEGAWORLD
For its various achievements, Megaworld has been recognized by numerous institutions and prestigious international award organizations:
2016
PHILIPPINES PROPERTY AWARDS
Philippines Property Awards
BEST DEVELOPER OF THE YEAR
FIABCI-PHILIPPINES
FIABCI Property and Real Estate Excellence Awards
DEVELOPER OF THE YEAR
BCI ASIA
BCI Asia Awards
TOP DEVELOPERS IN THE PHILIPPINES
2017
PHILIPPINES PROPERTY AWARDS
Philippines Property Awards
BEST DEVELOPER OF THE YEAR
FIABCI-PHILIPPINES
FIABCI Property and Real Estate Excellence Awards
OVERALL OUTSTANDING DEVELOPER
EUROMONEY
EuroMoney Real Estate Awards
BEST OVERALL DEVELOPER
2018
PropertyGuru ASIA PROPERTY AWARDS
Asia Property Awards
BEST DEVELOPER IN ASIA
PHILIPPINES PROPERTY AWARDS
Philippines Property Awards
BEST DEVELOPER OF THE YEAR (Hall of Fame)
INTERNATIONAL FINANCE AWARDS Celebrating Excellence
International Finance Awards
BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES
FIABCI-PHILIPPINES
FIABCI Property and Real Estate Excellence Awards
OUTSTANDING DEVELOPER (Hall of Fame)
THE OUTLOOK
The Outlook - Philippine Buyers' Choice Property Awards
BEST DEVELOPER OF THE YEAR FOR VISAYAS AND MINDANAO
2019
INTERNATIONAL FINANCE AWARDS Celebrating Excellence
International Finance Awards
BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES
GLOBAL GOOD GOVERNANCE 3G AWARDS
Asia Leaders Awards
REAL ESTATE COMPANY OF THE YEAR
2020
INTERNATIONAL FINANCE AWARDS Celebrating Excellence
International Finance Awards
BEST REAL ESTATE DEVELOPMENT COMPANY - PHILIPPINES
3G EXCELLENCE CORPORATE GOVERNANCE AWARD
Leaders Award
Global Good Governance Awards
3G CREATIVITY AND INNOVATION AWARD

2. Current Property Development Projects

The Company's current development projects are mostly mixed-use township developments that typically have residential, office, and commercial components. These projects are located in key areas throughout the Philippines. The objective of each of the mixed-use developments is to provide an integrated community with high quality "live-work-play-learn" amenities within close proximity to each other. For each development, the Company's real estate strategy is to lease all office and commercial properties and sell all residential units. Where the Company is not able to sell 100% of its residential units, upon completion of the residential project, it rents these unsold units on a lease-to-own basis or pursuant to a lease with an option to buy. The location of each of the Company's township developments, together with their respective sizes in hectares, is set out in the following map and each project is described below.

Eastwood City

Eastwood City is the first township to implement the Company's "live-work-play-learn" concept. Its 18.50-hectare community property in Libis, Quezon City has 19 completed luxury condominium towers, 10 first-class corporate office buildings, and a modern IT park. The planning of Eastwood City adopts an integrated approach to urban planning, with an emphasis on the development of the

Eastwood City Cyberpark provides offices with infrastructure such as high-speed telecommunications and 24-hour power supply that support BPO and other technology-driven businesses. The township provides education/training, restaurants, leisure and retail facilities and residences. It is currently home to more than 25,000 residents and 55,000 workers. Eastwood city is also home to the four-level Eastwood Mall — a shopping and dining destination which has been declared the "Best Shopping Center" by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops.

Forbes Town Center

Forbes Town is located in a 5-hectare land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, Manila Golf and Country Club, the Forbes Park residential subdivision and Dasmariñas Village. Forbes Town has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town is expected to consist of residential, retail and entertainment properties. The focal point of activity in the township is Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of the residents of the community's three Bellagio towers, six towers of Forbeswood Heights, two towers of Forbeswood Parklane, and the 53- storey Eight Forbes Town Road. This is connected to another Fort Bonifacio landmark, Burgos Circle, a leisure spot with residential condominiums and a small park. These commercial centers along with each of the condominiums' convenient location and top- notch resort-style amenities form a lifestyle of absolute leisure.

McKinley Hill

McKinley Hill is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig City, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and recreational centers. The residential zone consists of subdivision lots for low- density single-detached homes, clusters of low-rise residential garden villas and residential condominiums. The office properties will include the McKinley Hill Cyberpark which is a PEZA- designated IT special economic zone. Tenants of the office properties will largely comprise software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support. The leisure and entertainment zone will consist of bars, restaurants, specialty shops, cinemas and a sports complex. Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with Les Roches of Switzerland, comprise the “learn” component of the township. McKinley Hill is also home to the British Embassy and the Korean Embassy.

Newport City

Newport City is a community township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro Manila, across from the NAIA Terminal 3 and adjacent to the Villamor golf course. It will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone consists of eight to nine-storey medium-rise buildings. The corporate zone consisted of office buildings. The Company expects to establish a PEZA special economic zone cyberpark at Newport City. The leisure and entertainment zone consists of bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to Resorts World Manila, which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets. The hotel zone comprises the Marriott Hotel, Maxims Hotel, Holiday Inn Express Hotel, Hilton Hotel Manila and Sheraton Manila managed by Travellers International Hotel Group, Inc. and Megaworld Hotels’ Belmont Hotel Manila and Savoy Hotel Manila.

McKinley West

The Company is developing McKinley West on a 34.5-hectare portion of the JUSMAG property in Fort Bonifacio which is directly beside Forbes Park and Manila Polo Club and across McKinley Hill in Taguig, Metro Manila. The development of McKinley West is another joint venture undertaking with

BCDA. McKinley West will have rows of luxury residential estates, some of which will have their own swimming pools and other amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a commercial center. These will all be complemented by open spaces and greenery. Ingress and egress points of the estate are conveniently located along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

The Mactan Newtown

The Company’s first township venture outside Luzon, Mactan Newtown is a mixed-use development on a 30-hectare property near Shangri-La’s Mactan Resort and Spa in Mactan, Cebu. Mactan Newtown combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It will also have its own exclusive, world-class beach club at the township's beachfront, and sports facilities at the 11-hectare beachfront property formerly known as Portofino Beach. It is also near the Mactan-Cebu International Airport, making the township ideal for residence, business or leisure. The first phase of the project is expected, on completion, to comprise high-tech BPO offices, retail centers, luxury condominiums, leisure facilities and beach resort frontage. The Mactan Newtown is approximately 10 minutes away from the Mactan-Cebu International Airport, the Philippines' second largest airport. Soon to rise are 5 hotels, two of which are at the beachfront.

Uptown Bonifacio

Uptown Bonifacio is an approximately 15.4-hectare property in Fort Bonifacio in Taguig, Metro Manila. Modeled after the most progressive cities around the world – Paris, London, Milan, New York and Tokyo, Uptown Bonifacio comprises a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use, comprising office and retail space. It is well placed to cater to the fast - paced lives of today's young professionals and growing families. Set in the heart of Fort Bonifacio, the township will be close to several of the new central business district's ("CBD") popular landmarks, such as Forbes Town, Burgos Circle, the Mind Museum, Bonifacio High Street, and The Fort Strip. First class health care and education will never be far with St. Luke's Medical Center and the institutional zone mere footsteps away. Within the township is a complete community of its own: live luxuriously in the residences of Uptown Bonifacio; work in the top grade office sites; and play at its very own high-end commercial center, Uptown Place Mall. The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA.

Boracay Newcoast

Boracay Newcoast is a 150-hectare mixed-use leisure and resort development. It is envisioned to be the next world-class tourism destination in the paradise island. Soon to rise in the tropical tourism development are luxury and boutique hotels, commercial and retail district, upscale villas, and an exclusive residential village. Among the first residential towers to rise is Oceanway Residences, a cluster of mid-rise condominiums offering amazing views of the Sibuyan Sea, Mt. Luho, the island's highest peak, as well as the Fairways & Bluewater Golf Course. Aside from Oceanway Residences, among the upcoming projects here include four hotels and an Ibiza-inspired commercial and retail strip, all the more making it the most anticipated destination in Boracay.

Twin Lakes

Twin Lakes is a 1,200-hectare mixed-use leisure and resort community that raises the bar of living in Tagaytay. The tourism estate features the best of Europe at the first residential cluster called The Vineyard Residences, which is composed of three mid-rise condominium towers named after famous grape varieties: Shiraz, Merlot, and Chardonnay. Twin Lakes also has a unique mixed-use community development called The Vineyard, which spans 177-hectare of natural landscape that offers the perfect view of the famous Taal Volcano, along with a view of the man-made lake within the estate. The Vineyard will have its own sports club and spa, wedding venue, and the 10-hectare vineyard that will produce real grapes that can be processed, stored, and aged in its very own chateau. The township will also have commercial and retail hubs (The Village and Lakeshore Town Center), a university park, as well as a nature park. Other developments in Twin Lakes include a retirement community, wellness center, hotel and chateau, among others. With these developments, one can enjoy both the natural and man-made wonders at Twin Lakes.

Iloilo Business Park

Iloilo Business Park is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. When completed, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention center, retail centers and a lifestyle center, all at the heart of Iloilo, a new growth center in the Visayas. The entire Iloilo Business Park development was registered as a special economic zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometer retail strip inspired by outlet shops in America and envisioned to be the longest shop-and-dine street outside of Metro Manila. Iloilo Business Park has launched 5 residential condominium developments to date – One Madison Place Luxury Residence, Lafayette Park Square, The Palladium, the tallest building in the region at 22 storeys high, Saint Dominique and Saint Honore. With Iloilo Business Park, the Company aims to transform Western Visayas into the next central district in the region.

Suntrust Ecotown

Sitting on a 350-hectare land in Tanza, Cavite, the Suntrust Ecotown will be the Company's first mixed-use development with an industrial park, also a first in the country. The industrial park is the country's first to be accredited by PEZA with lifestyle amenities. It is also positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial, and institutional establishments in the south. At Suntrust Ecotown, 111 hectares will be allotted for the industrial park, another 40 hectares is dedicated for the expansion of the industrial park and the integration of lifestyle amenities such as a hotel, commercial and retail hubs, driving range, mini golf course, putting greens, swimming pool, jogging path, basketball and badminton courts, and open parks, and another 200 hectares of future development that may include residential and other recreational facilities.

Davao Park District

Davao Park District is the Company's first township development in Mindanao, specifically on an 11- hectare property along S.P. Dakudao Loop in Lanang, Davao City which used to be the Lanang Golf and Country Club. The township is envisioned to be Mindanao's new central business district, by being a center for BPO and other corporate entities over the next seven years. Also located in Davao Park District are the themed residential condominiums that will be built by Suntrust Properties, Inc., a wholly-owned subsidiary of the Company. The township will also have a lifestyle mall, commercial and retail strips, open parks, a lagoon, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center, which was completed in 2018. The first tower in One Lakeshore Drive, a 4- tower condominium cluster, started selling in 2014.

Southwoods City

Southwoods City is the largest and only fully-integrated township with a golf course located in the south of Metro Manila. The 561-hectare property is a mixed-use development that features the Jack Nicklaus-designed Manila Southwoods Golf and Country Club, a central business district, a mall, schools, a church, and a medical facility among others. It maintains its suburban feel while being conveniently accessible via the South Luzon Expressway. Within Southwoods City is Pahara, a 26- hectare residential village consisting of over 600 lots, each having a spectacular view of the golf course and the Laguna de Bay. Pahara, which is a Bengali term for hills, was named due to its landscape and terrain. This residential village has a Mediterranean-inspired architectural theme with green open spaces and its own clubhouse, swimming pool, function halls, children's playground, an outdoor circuit gym, and parks.

Alabang West

Alabang West is a 62-hectare township located at the heart of Alabang's leisure, business and commercial district. It delivers the glitz and glamor of Beverly Hills by offering high-end shopping boutiques and world-class amenities, all in a posh neighborhood. It is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit. Alabang West has a 1.3- kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive and an exclusive Alabang West Village that features over 700 residential lots. The village will have a clubhouse with badminton and basketball courts, function rooms, game room, a fitness center, and an infinity pool.

ArcoVia City

Envisioned as an environment-friendly community, the 12.4-hectare ArcoVia City is located along the C-5 Road in Pasig City. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City are a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from office towers, the township will have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.

The Upper East

The Upper East sits on a 34-hectare property in Bacolod City, Negros Occidental and is bound by Burgos Avenue on the north, Lopez Jaena Street on the west, the Circumferential Road on the east, and is just across the New Government Center. Modeled after New York City's Upper East Side district, its prime location is geared to be Bacolod's own version of an upscale lifestyle district where residential condominiums, malls and commercial centers, BPO officetowers, tourism and leisure facilities as well as recreational parks and open spaces are integrated to create an exciting Live-Work- Play township, which the company pioneered in the Philippines.

Northill Gateway

Northill Gateway will rise in the northern part of Bacolod, where the famous Sugar Road was built. Sitting on a 53-hectare property along the new Circumferential Road on the boundaries of Talisay City and Bacolod City, it has direct access to the new Bacolod-Silay Airport. It will rise in an area that has a direct link to The Upper East via the Circumferential Road. Northill Gateway is envisioned to be a refreshing lifestyle district that will house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities as wellas institutional facilities. The Company is constructing a 'commercial towncenter' on the Bacolod side of the rising Northill Gateway township occupying around 7.5

hectares, the Northill Town Center will be a sprawling horizontal commercial development composed mostly of stand-alone two-storey structures of retail shops and dining establishments, surrounded by landscaped parks and open spaces. The town center, which will be accessible along the Bacolod-Silay Airport Access Road, will also have a central plaza,an events venue, ‘pasalubong’ centers featuring local Negrense delicacies, a supermarket, and wellness andsports facilities.

Sta. Barbara Heights

Sta. Barbara Heights is a 173-hectare mixed-use development has 34 hectares allocated for residential lots, which offer a backdrop of a nearby natural lake and rolling hills in Sta. Barbara, Iloilo. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club, the oldest golf course in Asia. Sta. Barbara Heights will have a direct access to the road leading to the Iloilo International Airport via the Iloilo International Avenue, a six-lane “spine” highway featuring rows of mixed-use and commercial buildings, retail shops, restaurants, boutique hotels and institutional facilities. Half of the entire development is allocated for the Sta. Barbara

Heights Residential Estates, a residential village with three phases offering around 1,000 lots. The village will feature a five-hectare Village Center with amenities that include a 260-meter swimming pool, tennis and basketball courts, children’s park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.

Capital Town

The Capital Town is 35.6-hectare prime property beside the provincial capital of the City of San Fernando, Pampanga, 21st integrated urban township by the Company set to become the newest Central Business District of the North. It is situated at the heart of San Fernando, Pampanga, where Pampanga Sugar Development Company (PASUDECO) used to operate.

Its existence then became a catalyst for the exponential growth of the city. Backed by PASUDECO’s rich history, culture and heritage, the development of Capital Town will be at the forefront of business and progress as the area enters a new phase of growth in moving forward while preserving its values.

Westside City

Westside City will be the second site of Resorts World Manila in the Philippines. The 31-hectare leisure and entertainment township at the booming Entertainment City in Parañaque will also have international hotels, a luxury mall, and residential condominiums. The launch of Westside City marked the Company’s 20th integrated urban township, the most by any developer in the country. The township will also be home to the Company’s upscaleresidential condominiums, a luxury mall as well as international hotel brands such as The Westin Hotel of the Starwood Asia Pacific Hotels & Resorts Group, Hotel Okura Manila of the Okura Hotels & Resorts, the Genting Grand and Crockfords Tower of the Genting Group, and Kingsford Hotel. These hotels will have a total of around 1,500 rooms. Part of the Company’s vision for Westside City is to become the “Broadway of Asia” as the township highlights facilities for the performing arts. It will be home to the Philippines’ first Grand Opera Housethat has a total capacity of approximately 3,000 persons.

Maple Grove

Maple Grove is a 140-hectare property in General Trias, Cavite. This vast property will be developed into another world-class mixed-use development, where relaxation and nature perfectly blend with the urban lifestyle. Just 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavitex, Maple Grove is at the entry point of the booming industrial and residential center of the Cavite-Batangas corridor. The Company is allocating ₱10-billion in the next 10 years to develop Maple Grove. The township will have an eclectic mix of residential, retail, office and institutional components.

Eastland Heights

Through its subsidiary, Global-Estate Resorts Inc., the Company is building Eastland Heights, an ‘integrated lifestyle community’ in Antipolo, Rizal on an expansive 640 hectares of land along Marcos Highway with some areas overlooking Metro Manila’s panoramic skyline. The vast property has its own iconic 36-hole golf course and country club, which will occupy around 20% of the entire development. It is also known for its rolling terrains on the foot of the scenic Sierra Madre Mountain Range. The Company is spending ₱5-billion to develop Eastland Heights in the next five to seven years. Aside from the golf course, the community will have residential, commercial and retail, and institutional components such as a school.

The Hamptons Caliraya

The Hamptons Caliraya is located in Lumban-Cavinti, Laguna, surrounding Lake Caliraya, The Hamptons Caliraya is a 300-hectare development set to feature a lakeside residential villages and villas, a town center, two 18-hole golf courses and clubhouse, and a Marina Club that offers a wide range of water sports activities such as boating, jet ski and kayaking, as well as a shophouse district and resort hotel district.

Highland City

Together with its subsidiary, Empire East Land Holdings, Inc., the Company is set to masterplan this 24-hectare property located at the convergence of Pasig City and Cainta, Rizal. This master-planned township, envisioned to be the first-ever “elevated city” in the Philippines, will be integrated with a lifestyle mall, retail arcades, mixed-use towers, a church, an expansive green park, and an exclusive sports club—raising the standards of urban living in the east side of Metro Manila.

Arden Botanical Estate

The Company, along with its subsidiary Global-Estate Resorts Inc., is jointly developing a 251-hectare property located at the boundary of Trece Martires and the municipality of Tanza in Cavite. Surrounded by natural rivers, the Arden Botanical Estate will have several residential and leisure villages, commercial areas, sports and adventure parks, and a mixed-use district. The expansive development, which will be curated to engage and stimulate thesenses, will be highlighted by flower gardens and green parks.

Lucky Chinatown

Located at the heart of Binondo, the world’s oldest Chinatown, Lucky Chinatown is strategically located near Manila’s historic and cultural sites such as Intramuros, Manila City

Hall and the National Museum. This 3-hectare property will have residential condominium projects, lifestyle mall, hotel, and a museum that perfectly blends history and modernity.

3. Business Strategy

The Company's objective is to increase its profitability and maintain its leading position as a major property developer in the Philippines, specifically in the middle residential condominium market and the market for BPO-related office developments.

4. Conglomerate Map

Please see Annex "A" hereof.

5. Board of Directors and Senior Management

There are seven (7) members of the Company's Board of Directors, three (3) of whom are independent directors. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director [SRC Rule 38]. All directors were elected during the annual meeting of stockholders held on 24 August 2020, and will hold office until their successors have been duly elected and qualified. All the incumbent directors have been nominated for election to the Board of Directors of the Company for the ensuing calendar year.

Information concerning the background of the directors/nominees for directors and executive officers of the Company indicating their principal occupation or employment and their business experience for the past five (5) years is provided below.

The table sets forth each member of the Company's Board as of 31 March 2021.

Name	Age	Citizenship	Position
Andrew L. Tan	71	Filipino	Director, Chairman, President and CEO
Katherine L. Tan	69	Filipino	Director
Kingson U. Sian	59	Filipino	Director and Executive Director
Enrique Santos L. Sy	71	Filipino	Director
Jesus B. Varela	64	Filipino	Independent Director
Cresencio P. Aquino	67	Filipino	Independent Director

Roberto S. Guevara	69	Filipino	Independent Director

The table sets forth the Company's executive officers in addition to its executive directors listed above as of 31 March 2021.

Name	**Age**	**Citizenship**	**Position**
Lourdes T. Gutierrez-Alfonso	57	Filipino	Chief Operating Officer
Kevin Andrew L. Tan	41	Filipino	Executive Vice President and Chief Strategy Officer
Francisco C. Canuto	63	Filipino	Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive
Noli D. Hernandez	50	Filipino	Executive Vice President for Sales and Marketing
Giovanni C. Ng	46	Filipino	Senior Vice President and Finance Director
Philipps C. Cando	62	Filipino	Managing Director for Operations
Maria Victoria M. Acosta	59	Filipino	Senior Vice President for International Marketing
Maria Carla T. Uykim	44	Filipino	Head of Corporate Advisory and Compliance
Rafael Antonio S. Perez	52	Filipino	Head for HR and Corporate Admin. Division
Graham M. Coates	56	British	Head of Megaworld Lifestyle Malls
Jennifer L. Romualdez	51	Filipino	Senior Vice President and Head for Operations Division
Kimberly Hazel A. Sta. Maria	40	Filipino	Assistant Vice President for Corporate Communications and Advertising
Cheryll B. Sereno	41	Filipino	Chief Risk Officer

Anna Michelle T.Llovido	42	Filipino	Corporate Secretary
Nelileen S. Baxa	42	Filipino	Assistant Corporate Secretary

The following states the business experience of the Company's incumbent directors and officers for the last five years:

Andrew L. Tan
Director, Chairman, President & CEO

Mr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and Global- Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board ofEmpire East Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties Inc., Megaworld Bacolod Properties, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Newport Property Holdings, Inc. and Richmonde Hotel Group International Limited. He is also the Chairman of Emperador Inc., a public-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. Mr. Tan is Chairman of Megaworld Foundation, the Company's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation. He is a director of Travellers International Hotel Group, Inc., which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation.

Katherine L. Tan
Director

Ms. Tan has served as Director of the Company since 1989. She is concurrently a Director and Treasurer of publicly-listed Alliance Global Group, Inc. and Emperador Inc. She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. and Director and President of Andresons Global, Inc., Raffles & Company, Inc., The Andresons Group, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Kingson U. Sian
Director and Executive Director

Mr. Sian has served as Director of the Company since April 13, 2007. He joined the

Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director, President and Chief Operating Officer of publicly-listed Alliance Global Group, Inc. and Travellers International Hotel Group, Inc. He is the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc., the Senior Vice President of Megaworld Land, Inc. and the President of Eastwood Cyber One Corporation. Mr. Sian was formerly Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Master's Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique Santos L. Sy
Director

Mr. Sy has served as Director of the Company since July 2009. He was formerly a Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of publicly-listed Empire East Land Holdings, Inc. and a Director of Eastin Holdings, Inc. and First Oceanic Property Management Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and Soho Café & Restaurant Group, Inc. and Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Jesus B. Varela
Independent Director

Mr. Varela has served as Director of the Company since June 2016. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. and Travellers International Hotel Group, Inc. He is also the Chairman of the Philippine Chamber of Commerce and Industry, GS1 Philippines (Barcode of the Philippine), and New Lights Technologies, Inc. He is the President and CEO of the Advancement of Workers' Awareness Regarding Employment (AWARE) Foundation, Inc., and President of Foundation for Crime Prevention, Philippine Greek Business Council and Philippine Peru Business Council. He is also the Director General of the International Chamber of Commerce Philippines (ICC-Philippine), Receiver of J-Phil Marine Shipping Inc., and Member of the Committee for Accreditation of Cargo Surveying Companies. Mr. Varela has more than twenty years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri- Business Corporation, Agriculture Anti- Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian

Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines.

Cresencio P. Aquino
Independent Director

Atty. Aquino is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc. He is a graduate of the San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as Director of Clark Development Corporation from 2012 to 2016., Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, Director of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bankfrom September 1992 to June 1998, and Executive Director of the Department of Interior and Local Government ("DILG") from 1988 to 1992, and concurrently Ex-Officio Commissionerof the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino He was formerly an Associate Professor with the San Sebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus, and the Lawyers League of the Philippines.

Roberto S. Guevara
Independent Director

Mr. Guevara has been an Independent Director of the Company since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. He serves on the board of other companies, such as G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation, and Investment and Capital Corporation of the Philippines, and as Independent Director of First Centro, Inc., Honeycomb Builder and Kalahi Realty, Inc. Mr. Guevara graduated from San Beda College in 1974, and received a graduate degree from the Asian Institute of Management and a post-graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Lourdes T. Gutierrez-Alfonso
Chief Operating Officer

Ms. Gutierrez joined the Company in 1990. She is the Company's Chief Operating Officer and is a member of the Company's Management Executive Committee. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she previously held the position of Senior Executive Vice President for Finance and Administration in the Company. Ms. Gutierrez is Chairman of the property management company, First Oceanic Property Management, Inc. She serves as director in numerous affiliate companies including publicly-listed Global-Estate Resorts, Inc. and Suntrust Properties, Inc., Twin Lakes Corporation, Southwoods Mall, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Cebu

Properties, Inc., Oceantown Properties, Inc., Megaworld Bacolod Properties, Inc., Eastwood Cyber One Corporation, Davao Park District Holdings, Inc., and Prestige Hotels & Resorts, Inc. She is currently the Chairman of Belmont Newport Luxury Hotels, Inc., Megaworld Global-Estate, Inc., Savoy Hotel Manila, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc.

Kevin Andrew L. Tan
Executive Vice President and Chief Strategy Officer

Mr. Tan holds the rank of Executive Vice President and Chief Strategy Officer of the Company. He previously held the position of Senior Vice President for Commercial Division which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, Lucky Chinatown Mall in Binondo, Manila and Uptown Mall in Bonifacio Global City. He is the Chief Executive Officer and Vice Chairman of public-listed company, Alliance Global Group, Inc. He is also the concurrently a Director of publicly-listed companies, Empire East Land Holdings, Inc., Emperador Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and an Executive Director of Megaworld Foundation, Inc. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Francisco C. Canuto
Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive

Mr. Canuto joined the Company in 1995. He is a Certified Public Accountant and currently holds the rank of Senior Vice President and Treasurer of the Company and is Senior Assistant to the Chairman. He is a member of the Company's Management Executive Committee. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Director of Megaworld Global-Estate, Inc. and Eastwood Property Holdings, Inc., Director and Corporate Secretary of Megaworld Central Properties, Inc. and Director and Treasurer of Megaworld Cebu Properties, Inc., Twin Lakes Corporation, Oceantown Properties, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation, Eastwood Cyber One Corporation, and PrestigeHotels & Resorts, Inc. He serves as a Director and President of Arcovia Properties, Inc., Lucky Chinatown Cinemas, Inc., Festive Walk Cinemas, Inc., Southwoods Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc. and Gilmore Property Marketing Associates,Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Company, heworked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

Noli D. Hernandez
Executive Vice President for Sales and Marketing

Mr. Hernandez joined the Company in February 1994 as a property consultant. He is currently an Executive Vice President for Sales and Marketing. Mr. Hernandez rose from the ranks in the Company, starting out as a property consultant then becoming Sales Manager, Assistant Vice President, Senior Assistant Vice President, Vice President and Senior Vice President for Marketing. Mr. Hernandez graduated from the University of the Philippines with a degree of Bachelor of Science in Political Science. He serves as Director and President of Megaworld Cebu Properties, Inc. and President of the Newtown School of Excellence in the Mactan Newtown development of the Company.

Giovanni C. Ng
Senior Vice President and Finance Director

Mr. Ng, is a Senior Vice President and Finance Director of the Company. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc. and Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor’s degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Philipps C. Cando
Managing Director for Operations

Mr. Cando is a licensed civil engineer who has over 28 years of experience in project development and construction management. Mr. Cando joined the Company in 1994 as a construction manager and eventually rose to become head of the Company's project management team. Prior to joining Megaworld, Mr. Cando was employed for over 12 years in construction design and consultancy firms, Arenas-Tugade Associates and Massive Design Group. During his more than 15 years with the Company, Mr. Cando was responsible for the construction management of over thirty-three (33) project developments of the Company including residential and office condominium projects, hotel, mall and retail complexes as well as large scale mixed-use developments such as McKinley Hill and Eastwood City. He now heads the Company’s Operations Division and is responsible for the construction development of large scale developments to include, Newport City, Forbes Town Center at Global City, Manhattan Garden City at Araneta Center, Cityplace at Binondo and Bonifacio Uptown. Mr. Cando serves as Director and President of Oceantown Properties, Inc.

Maria Victoria M. Acosta
Senior Vice President for International Marketing

Ms. Acosta is Senior Vice President for International Marketing. She joined the Company in September 1999. Prior to her appointment, she had twenty years of marketing experience in real estate and consumer products with other companies. Ms. Acosta was Executive Vice

President and Chief Operating Officer of Empire East Land Holdings, Inc. from 1997 to 1998 and was Executive Director for Marketing from 1996 to 1997. Earlier, she also served as Senior Vice President and General Manager of Raffles & Co., Inc. She is concurrently Director and Corporate Secretary of Eastwood Property Holdings, Inc. and Corporate Secretary of Gilmore Property Marketing Associates, Inc.

Maria Carla T. Uykim
Head of Corporate Advisory and Compliance

Ms. Uykim is the head of the Corporate Advisory and Compliance of Megaworld Corporation and a member of the Management Executive Committee. She is primarily responsible for the special projects group which handles the negotiation and documentation of the Company's various land acquisitions, joint venture agreements and other corporate transactions. She also heads the property registration group, which is in charge of the registration of the Company's real estate projects, including the deeds of restriction, and issuance of the certificates of title for the individual units or lots and the intellectual property group, which handles the registration, protection and enforcement of the Company's trademarks. She is concurrently the Corporate Secretary of San Vicente Coast, Inc., Northwin Properties, Inc. and Maple Grove Land, Inc. and a Director and Corporate Secretary of Luxury Global Malls, Inc. and Mactan Oceanview Properties and Holdings, Inc. She joined the Company in April 2007 as a Senior Manager of the Corporate Management Department and handled buyer's concerns, including documentation of sales transactions, labor and human resources issues, and the registration and protection of intellectual property. Prior to joining the Company, Atty. Uykim was an Associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff of Congresswoman Remedios L. Petilla from July 2004 until June 2005. Atty. Uykim obtained her Juris Doctor Degree from the Ateneo De Manila School of Law and is a graduate of the double degree program of De La Salle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management.

Rafael Antonio S. Perez
Head for HR and Corporate Admin. Division

Mr. Perez joined the Company in June 2008 as head of the Human Resources Division. He is currently the Vice President for Human Resources & Corporate Administration Division. He is concurrently the President and Managing Director of Global One Integrated Business Services, Inc. and Luxury Global Malls, Inc. Mr. Perez graduated Cum Laude from the Philippine Normal University with the degree of Bachelor of Arts in Psychology.

Graham M. Coates
Head of Megaworld Lifestyle Malls

Mr. Coates, is a British national, he has an extensive international management experience in numerous culturally diverse locations such as Asia (twenty years), Europe (eight years) and the United States (four years). He joined the company in January 2019. Throughout his career, he has demonstrated a record of sustained profitable growth, building world-class organizations and driving change for global, multinational and family-owned corporations and entrepreneurial companies worldwide. Graham is skilled in P&L, Operations, Merchandising, Marketing, Customer Development, Business Development and Logistics. He brings with him a wealth of experience that cuts through many retail formats and cross functions. He has the unique advantage of being familiar with all retail formats, together with a solid perspective of mall and landlord operations.

Mr. Coates is the President of the Coates Charity Foundation, a non-profit organization set up several years ago to support Christian missionaries, students, fellow church members and others in need. He is the Vice President and board member of HAND Philippines, an offshoot of HAND International, a Christian humanitarian aid organization that uses its resources and efforts on helping the rehabilitation needs of the natural disaster-stricken areas in the Philippines, an example being Typhoon Yolanda victims.

Jennifer L. Romualdez
Senior Vice President and Head for Operations Division

Ms. Romualdez, prior to her appointment to her current position in Megaworld in February 2020, served the Company for nine years, from 1995 to 2004, in various capacities in the areas of procurement, contracts, interior design and special projects. She was previously the Senior Vice President of the Operations Division of Global Estate-Resorts, Inc. (GERI), Megaworld's subsidiary and the country's biggest developer of master-planned integrated lifestyle communities (ILCs) oriented toward tourism. She headed the development ofGERI's various projects and ILCs, including Boracay Newcoast in Boracay Island; Twin Lakes in Alfonso, Batangas, near Tagaytay; Southwoods City on the boundaries of Cavite and Laguna; Eastland Heights in Antipolo, Rizal; and Sta. Barbara Heights in Mandurriao, Iloilo. From 2006 to 2011, she served different companies in various roles— Corporate Director for Quantity Surveying and Tender of Ding Feng (Shanghai) Real Estate Development Co., Ltd.; Assistant Director for Marketing - Interior Design and Graphics of Ho Cheng (China) Co., Ltd.; and Consultant for the HCG Beijing Flagship Showroom project. Ms. Romualdez graduated from the University of the Philippines Diliman with a B.S. Architecture degree. She completed and passed the Philippine Licensure Examination for Architects in 1993.

Kimberly Hazel A. Sta. Maria
Assistant Vice President for Corporate Communications and Advertising

Ms. Sta. Maria holds the rank of Assistant Vice President and heads the Corporate Communication and Advertising Division of the Company. She joined the Company in 2002 as Head Writer and is responsible for the creative conceptualization and production of advertising and marketing campaigns and materials for the Company's projects. Ms. Sta. Maria is a cum laude graduate of the University of the Philippines Manila and holds a bachelor's degree in Organizational Communication.

Cheryll B. Sereno
Chief Risk Officer

Ms. Sereno is the Chief Risk Officer. She joined the Company in November 2017 and currently heads the Opportunity and Risk Management department. Her responsibilities include identification and assessment of business risks and ensuring that the Company continuously develops risk management strategies that are aligned with its corporate goals and objectives. Prior to joining the Company, Ms. Sereno worked in the field of external audit, finance and has extensive experience handling Enterprise Risk Management and Business Continuity Management for the real estate industry. She graduated from Ateneo de Naga University with the degree of Bachelor of Science in Accountancy. Ms. Sereno is a Certified Public Accountant and a Certified Business Continuity Professional.

Anna Michelle T. Llovido
Corporate Secretary

Ms. Llovido is the Corporate Secretary of the Company and has held this position since August 2014. She concurrently serves as Senior Corporate Legal Counsel of Emperador Distillers, Inc. Ms. Llovido is an experienced in-house counsel with core practice in labor and intellectual property law. Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, airand travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

Nelileen S. Baxa
Assistant Corporate Secretary

Ms. Baxa is currently a Senior Accounting Manager of Megaworld Corporation. She is a Certified Public Accountant with over eighteen (18) years of experience in the fields of accounting and finance. Ms. Baxa concurrently serves as a Director of Bordeaux Properties, Inc., Langham Properties, Inc., Rowenta International, Inc., and Venetian Properties, Inc. Ms. Baxa obtained her Bachelor's Degree in Accountancy from the University of Sto. Tomas.

C. PROCEEDS RECEIVED BY THE SPONSOR

As of the date of this REIT Plan, MREIT has an authorized capital stock of ₱5,000,000,000.00, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share (each, a "**Share**"). As of the date of this REIT Plan, MREIT has 2,532,121,381 Shares issued and outstanding. MREIT has no preferred shares and no Shares held in treasury.

The Offer comprises secondary offer of Shares held by Megaworld, the Selling Shareholder. The Firm Shares will comprise **844,300,000** issued Shares owned by Megaworld, to be offered by way of a secondary offer. The Option Shares will comprise up to 105,537,500 issued Shares owned by Megaworld, to be offered by way of a secondary offer. The Firm Shares shall be offered at a price of **₱16.10** per Share (the "**Offer Price**").

Upon completion of the Offer, a total of 2,532,121,38 Shares will be issued and outstanding. The Offer Shares will represent approximately **37.5%** of the issued and outstanding capital stock of MREIT after completion of the Offer, assuming the full exercise of the Overallotment

Option, and approximately **33.3%** of the issued and outstanding capital stock of MREIT after completion of the Offer, assuming no exercise of any Overallotment Option.

Upon completion of the Offer, the Shares owned by Megaworld will represent approximately 62.1% of the issued and outstanding capital stock of MREIT, assuming the full exercise of the Overallotment Option, and approximately 66.3% of the issued and outstanding capital stock of MREIT, assuming no exercise of any Overallotment Option.

Megaworld's total proceeds to be raised from the sale of the Firm Shares will be approximately ₱13,593 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder shall be approximately ₱13,046 million. Assuming full exercise of the Overallotment Option, the total proceeds to be raised by Megaworld from the sale of the Offer Shares will be approximately ₱15,292 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder shall be approximately ₱14,695 million.

Megaworld will receive all of the proceeds from the sale of the Offer Shares in the Offer. MREIT will not receive any proceeds from the Offer. Taxes and issue management, underwriting and selling fees and certain other fees and expenses pertaining to the Offer will be paid by Megaworld.

D. THE REINVESTMENT PLAN

Megaworld intends to use net proceeds received from the secondary offer to fund ongoing and future investments in real estate properties in Metro Manila and other key regions in the Philippines, which Megaworld may undertake on its own or through other subsidiaries. This includes investment in commercial, office, hotel, factory buildings, or any real estate projects within the Philippines. While the Company is not contemplating to acquire land at this time, there is nothing preventing it from doing so in the future in accordance with the requirement of the law, if the timing and opportunity is right.

The projected disbursements in connection with the proposed use of proceeds is provided in the succeeding table:

Assuming over-allotment option is fully exercised

	PROJECT NAME	DESCRIPTION	TOWNSHIP / LOCATION	INVESTMENT TYPE	PRODUCT	STATUS	PERCENTAGE COMPLETION	COMPLETION DATE	TOTAL PLANNED USE FOR ONE YEAR	4TH QUARTER 2021	1ST QUARTER 2022	2ND QUARTER 2022	3RD QUARTER 2022	DISBURSING ENTITY
1	One LeGrand Tower	A LEED Office Building with support retail with a total of approximately 48k sqm GLA	McKinley West	Investment in Building	Office / Retail	On-going	98%	2021	290.00m	145.00m	145.00m	0.00m	0.00m	Megaworld Corporation
2	One Paseo	A LEED Office Building with support retail with a total of approximately 24k sqm GLA	ArcoVia City	Investment in Building	Office / Retail	On-going	95%	2021	200.00m	15.00m	50.00m	65.00m	70.00m	Megaworld Corporation
3	Two Fintech	An Office Building with support retail with a total of approximately 17k sqm GLA	Iloilo Business Park	Investment in Building	Office / Retail	On-going	97%	2021	110.00m	44.00m	66.00m	0.00m	0.00m	Megaworld Corporation
4	Worldwide Plaza	A LEED Office Building with support retail with a total of approximtely 69k sqm GLA	Uptown Bonifacio	Investment in Building	Office / Retail	On-going	89%	2022	2,280.00m	342.00m	456.00m	570.00m	912.00m	Megaworld Corporation
5	No. 1 Upper East Avenue	A LEED Office Building with support retail with a total of approximately 8.6k sqm GLA	The Upper East	Investment in Building	Office / Retail	On-going	7.50%	2023	584.67m	58.00m	87.00m	116.00m	323.67m	Megaworld Corporation
6	International Finance Center	A LEED Office Building with support retail with a total of approximately 68k sqm	Uptown Bonifacio	Investment in Building	Office / Retail	On-going	15.60%	2023	2,000.00m	150.00m	450.00m	650.00m	750.00m	Megaworld Corporation
7	Enterprise One	A LEED Office Building with support retail of with a total of approximately approximately 34k sqm	Iloilo Business Park	Investment in Building	Office / Retail	On-going	8.70%	2024	1,000.00m	91.50m	274.50m	366.00m	268.00m	Megaworld Corporation
8	Office - Pampanga	A LEED Office building with support retail to be developed in Pampanga	Pampanga	Investment in Equity	Office / Retail	On-going	3.50%	2024	530.00m	53.00m	79.50m	106.00m	291.50m	Megaworld Corporation
9	Office - Iloilo	A LEED Office building with support retail to be developed in Iloilo Business Park	Iloilo Business Park	Investment in Building	Office / Retail	On-going	4.70%	2025	900.00m	150.00m	250.00m	250.00m	250.00m	Megaworld Corporation
10	Office - Taguig	A LEED Office building with support retail to be developed in Taguig	Taguig	Investment in Building	Office / Retail	On-going	6.80%	2025	2,600.00m	311.00m	311.00m	933.00m	1,045.00m	Megaworld Corporation
11	Office / Commercial - Cavite	A Lifestyle Mall / Office located in Maple Grove	Maple Grove	Investment in Building	Office / Retail	On-going	5.80%	2024	1,430.00m	500.00m	450.00m	350.00m	130.00m	Megaworld Corporation
12	Office / Commercial - Pampanga	A Lifestyle Mall / Office located in Pampanga	Pampanga	Investment in Building	Office / Retail	On-going	6.80%	2025	2,000.00m	250.00m	550.00m	650.00m	550.00m	Megaworld Corporation
13	Commercial - Bacolod	A commercial project in The Upper East	The Upper East	Investment in Building	Mall	On-going	7.50%	2025	200.00m	45.00m	45.00m	45.00m	65.00m	Megaworld Corporation
14	Commercial 2 - Bacolod	A commercial project in Northill Gateway	Northill Gateway	Investment in Building	Mall	On-going	5.90%	2024	100.00m	35.00m	35.00m	20.00m	10.00m	Megaworld Corporation
15	Hotel	A hotel project in various townships	Various	Investment in Building	Hotel	On-going	4.70%	2023	470.00m	0.00m	0.00m	0.20m	469.80m	Megaworld Corporation
								Total	**14,694.67m**	**2,189.50m**	**3,249.00m**	**4,121.20m**	**5,134.97m**	
								Cumulative		**2,189.50m**	**5,438.50m**	**9,559.70m**	**14,694.67m**	

Assuming over-allotment option is not exercised

	PROJECT NAME	DESCRIPTION	TOWNSHIP / LOCATION	INVESTMENT TYPE	PRODUCT	STATUS	PERCENTAGE COMPLETION	COMPLETION DATE	TOTAL PLANNED USE FOR ONE YEAR	4TH QUARTER 2021	1ST QUARTER 2022	2ND QUARTER 2022	3RD QUARTER 2022	DISBURSING ENTITY
1	One LeGrand Tower	A LEED Office Building with support retail with a total of approximately 48k sqm GLA	McKinley West	Investment in Building	Office / Retail	On-going	98%	2021	290.00m	145.00m	145.00m	0.00m	0.00m	Megaworld Corporation
2	One Paseo	A LEED Office Building with support retail with a total of approximately 24k sqm GLA	ArcoVia City	Investment in Building	Office / Retail	On-going	95%	2021	200.00m	15.00m	50.00m	65.00m	70.00m	Megaworld Corporation
3	Two Fintech	An Office Building with support retail with a total of approximately 17k sqm GLA	Iloilo Business Park	Investment in Building	Office / Retail	On-going	97%	2021	110.00m	44.00m	66.00m	0.00m	0.00m	Megaworld Corporation
4	Worldwide Plaza	A LEED Office Building with support retail with a total of approximtely 69k sqm GLA	Uptown Bonifacio	Investment in Building	Office / Retail	On-going	89%	2022	2,280.00m	342.00m	456.00m	570.00m	912.00m	Megaworld Corporation
5	No. 1 Upper East Avenue	A LEED Office Building with support retail with a total of approximately 8.6k sqm GLA	The Upper East	Investment in Building	Office / Retail	On-going	8%	2023	580.80m	58.00m	87.00m	116.00m	319.80m	Megaworld Corporation
6	International Finance Center	A LEED Office Building with support retail with a total of approximately 68k sqm	Uptown Bonifacio	Investment in Building	Office / Retail	On-going	16%	2023	2,000.00m	150.00m	450.00m	650.00m	750.00m	Megaworld Corporation
7	Enterprise One	A LEED Office Building with support retail of with a total of approximately approximately 34k sqm	Iloilo Business Park	Investment in Building	Office / Retail	On-going	9%	2024	1,000.00m	91.50m	274.50m	366.00m	268.00m	Megaworld Corporation
8	Office - Pampanga	A LEED Office building with support retail to be developed in Pampanga	Pampanga	Investment in Equity	Office / Retail	On-going	4%	2024	530.00m	53.00m	79.50m	106.00m	291.50m	Megaworld Corporation
9	Office - Iloilo	A LEED Office building with support retail to be developed in Iloilo Business Park	Iloilo Business Park	Investment in Building	Office / Retail	On-going	5%	2025	900.00m	150.00m	250.00m	250.00m	250.00m	Megaworld Corporation
10	Office - Taguig	A LEED Office building with support retail to be developed in Taguig	Taguig	Investment in Building	Office / Retail	On-going	7%	2025	2,000.00m	311.00m	311.00m	933.00m	445.00m	Megaworld Corporation
11	Office / Commercial - Cavite	A Lifestyle Mall / Office located in Maple Grove	Maple Grove	Investment in Building	Office / Retail	On-going	6%	2024	385.00m	75.00m	125.00m	150.00m	35.00m	Megaworld Corporation
12	Office / Commercial - Pampanga	A Lifestyle Mall / Office located in Pampanga	Pampanga	Investment in Building	Office / Retail	On-going	7%	2025	2,000.00m	250.00m	550.00m	650.00m	550.00m	Megaworld Corporation
13	Commercial - Bacolod	A commercial project in The Upper East	The Upper East	Investment in Building	Mall	On-going	8%	2025	200.00m	45.00m	45.00m	45.00m	65.00m	Megaworld Corporation
14	Commercial 2 - Bacolod	A commercial project in Northill Gateway	Northill Gateway	Investment in Building	Mall	On-going	6%	2024	100.00m	35.00m	35.00m	20.00m	10.00m	Megaworld Corporation
15	Hotel	A hotel project in various townships	Various	Investment in Building	Hotel	On-going	5%	2023	470.00m	0.00m	0.00m	0.20m	469.80m	Megaworld Corporation
								Total	**13,045.80m**	**1,764.50m**	**2,924.00m**	**3,921.20m**	**4,436.10m**	
								Cumulative		**1,764.50m**	**4,688.50m**	**8,609.70m**	**13,045.80m**	

Megaworld shall endeavor to cause the completion of the construction of the projects enumerated in table above within the projected time frame. However, the time of completion and, accordingly, the timing of disbursements are subject to unforeseen external conditions that may cause delays in construction timetables (e.g. fire, earthquake, and other natural elements, war, civil disturbance) or due to any other cause beyond the control of Megaworld, and/or its subsidiaries.

E. MONITORING AND REVIEW

Megaworld shall monitor the actual disbursements of projects proposed in this Reinvestment Plan on a quarterly basis. For purposes of monitoring, Megaworld shall prepare a quarterly progress report of actual disbursements on the projects covered by this Reinvestment Plan.

In the event of changes in the actual disbursements of projects proposed in this Reinvestment Plan, Megaworld shall carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is in the best interest of the Company and its shareholders. Megaworld's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary and the Company may find it necessary or advisable to alter their plans.

In such an event, Megaworld undertakes that any deviation from the planned reinvestment (as disclosed in the Reinvestment Plan that formed part of the RS) will be promptly disclosed to the Exchange and to the Commission via SEC Form 17-C (and submit a Revised Reinvestment Plan as necessary).

F. REPORTING

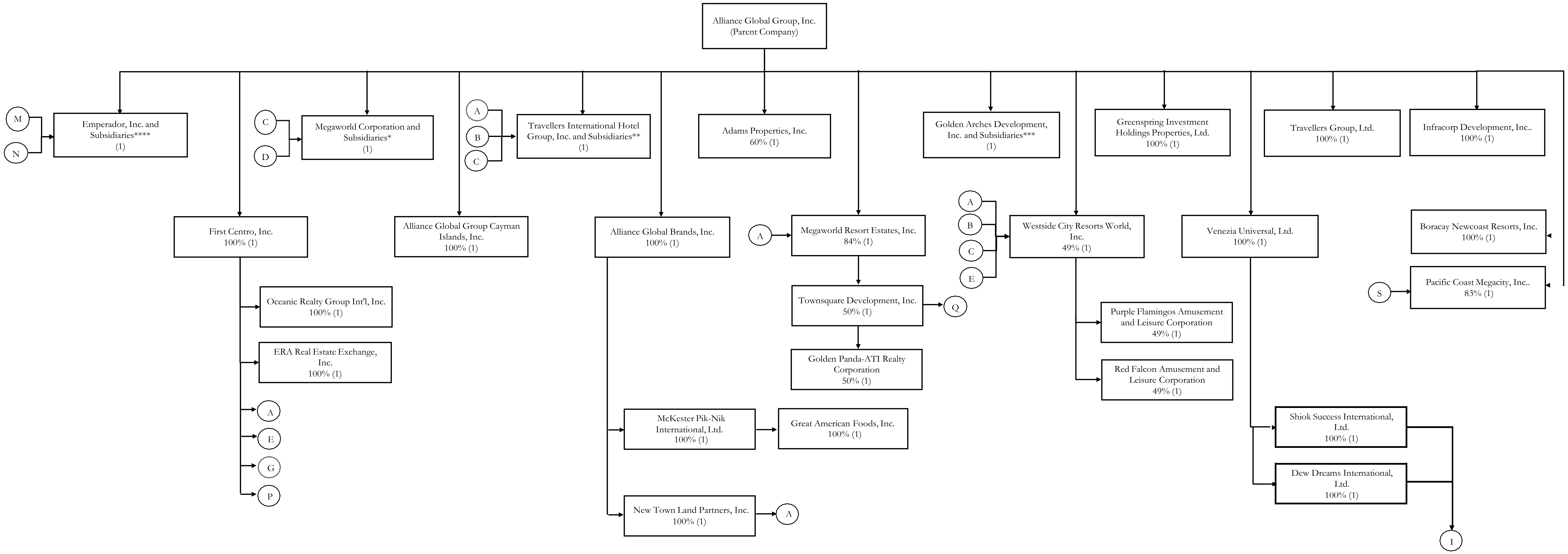
Megaworld shall comply with the reportorial and disclosure requirements prescribed by the SEC, PSE, BIR, or the appropriate regulatory government agency/ies..

Megaworld shall submit to the PSE quarterly progress reports and a final report on the implementation of the Reinvestment Plan, duly certified by its Finance Controller, Treasurer, and External Auditor. The quarterly progress report and the final report shall be submitted to the PSE in accordance with the REIT LAW and its relevant implementing regulations and relevant PSE rules.

The Reinvestment Plan and the status of its implementation shall be included in the appropriate structured reports of Megaworld to the SEC and the PSE. Any investment pursuant to the Reinvestment Plan shall be disclosed by the Company via SEC Form 17-C as such investment is made. The Company shall likewise furnish the SEC with copies of the relevant documentary stamp tax returns, as may be applicable.

Annex "A" - Conglomerate Map

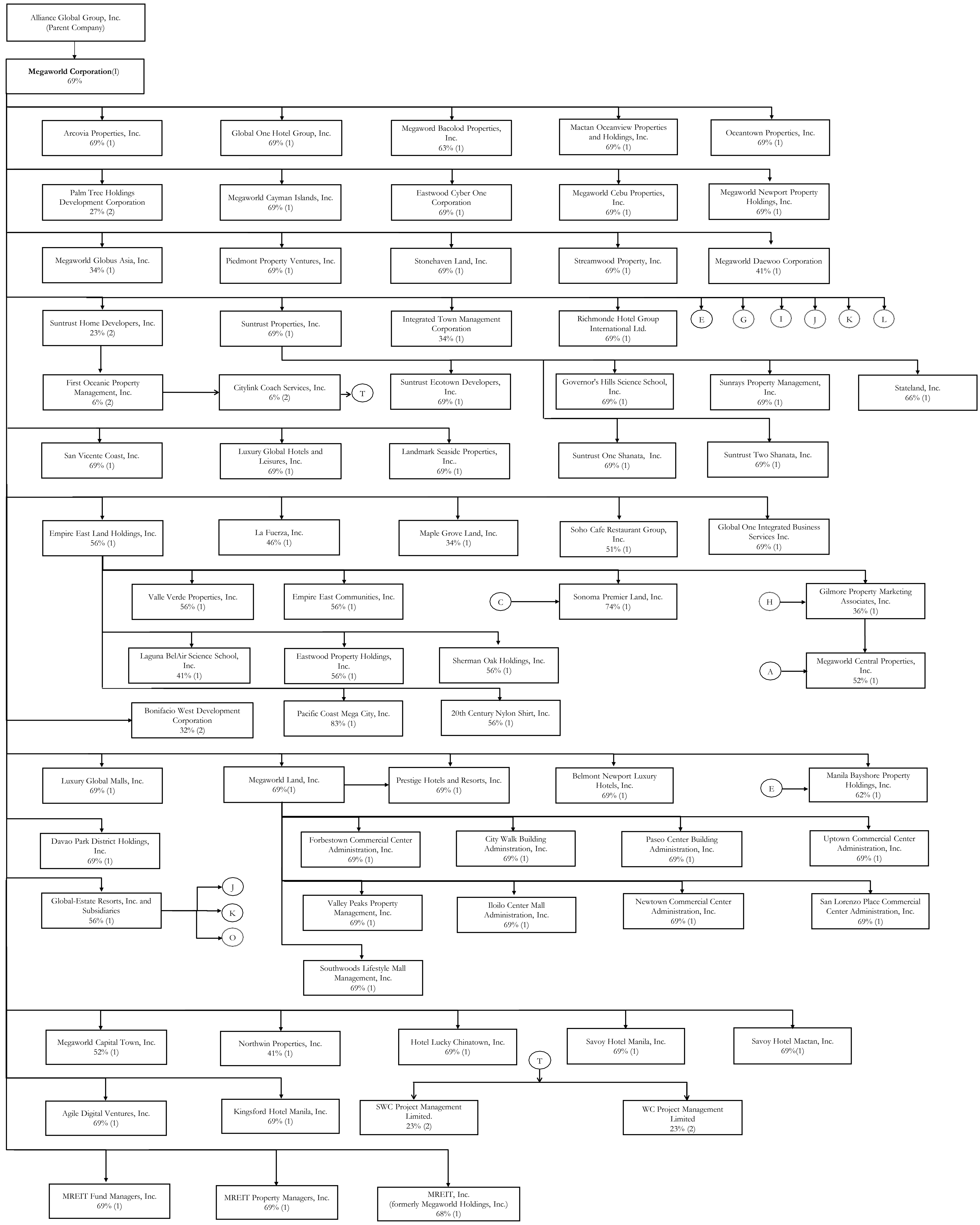
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
March 31, 2021



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.	S	Empire East Land Holdings, Inc.
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	Southwoods Mall, Inc.	T	Suntrust Home Developers, Inc.

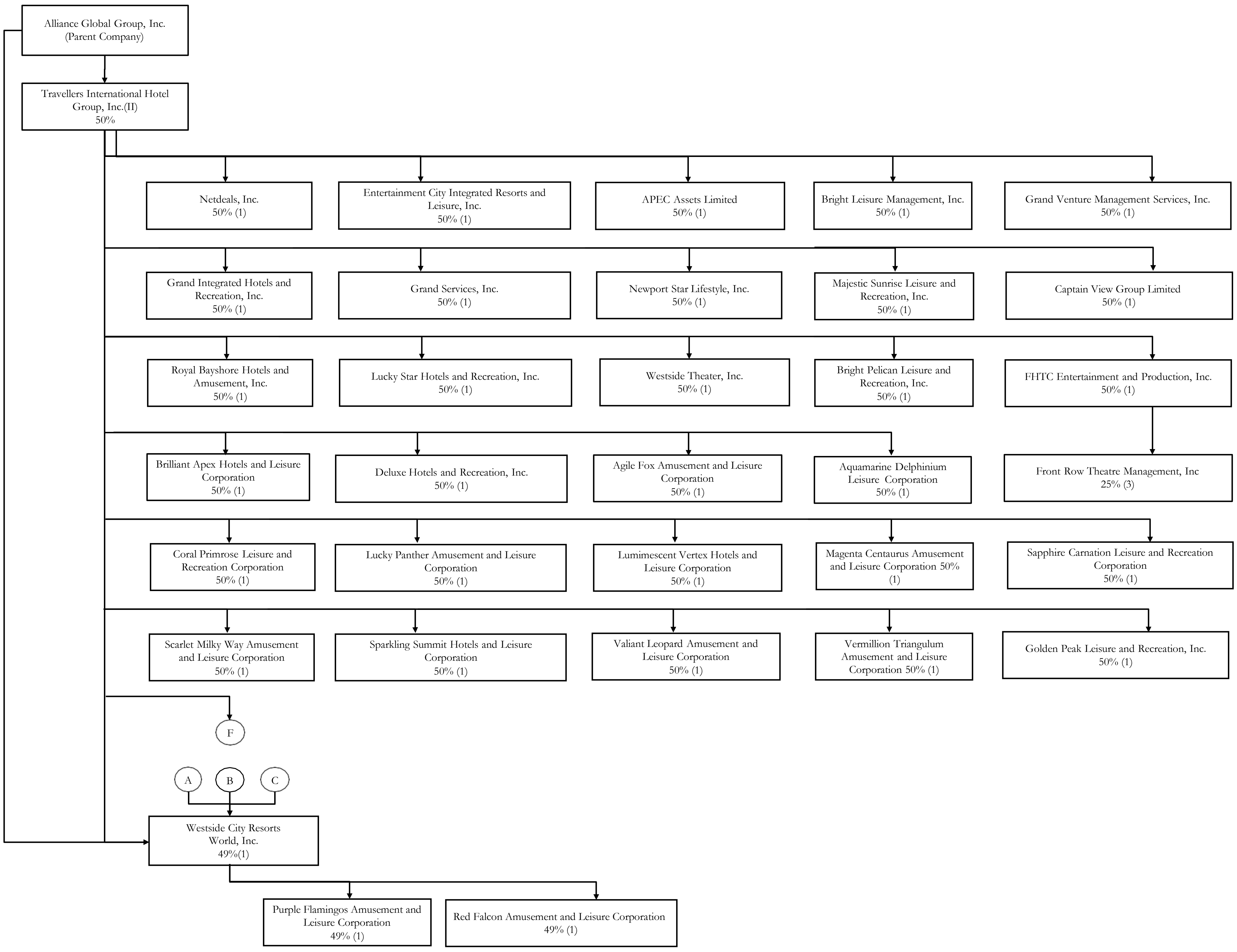
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
March 31, 2021



Legend
Relationship with Megaworld Corporation
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	E	Travellers International Hotel Group, Inc.	I	Megaworld Resort Estates, Inc.	M	Shiok Success International, Ltd.	Q	Gilmore Property Marketing Associates, Inc.
B	Adams Properties, Inc.	F	Manila Bayshore Property Holdings, Inc.	J	Twin Lakes Corporation	N	Dew Dreams International, Ltd.	R	Emperador Inc.
C	First Centro, Inc.	G	Westside City Resorts World, Inc.	K	Megaworld Global Estates, Inc.	O	Southwoods Mall, Inc.	S	Empire East Land Holdings, Inc.
D	Newtown Land Partners, Inc.	H	Townsquare Development, Inc.	L	Megaworld Central Properties, Inc.	P	Sonoma Premier Land, Inc.	T	Suntrust Home Developers, Inc.

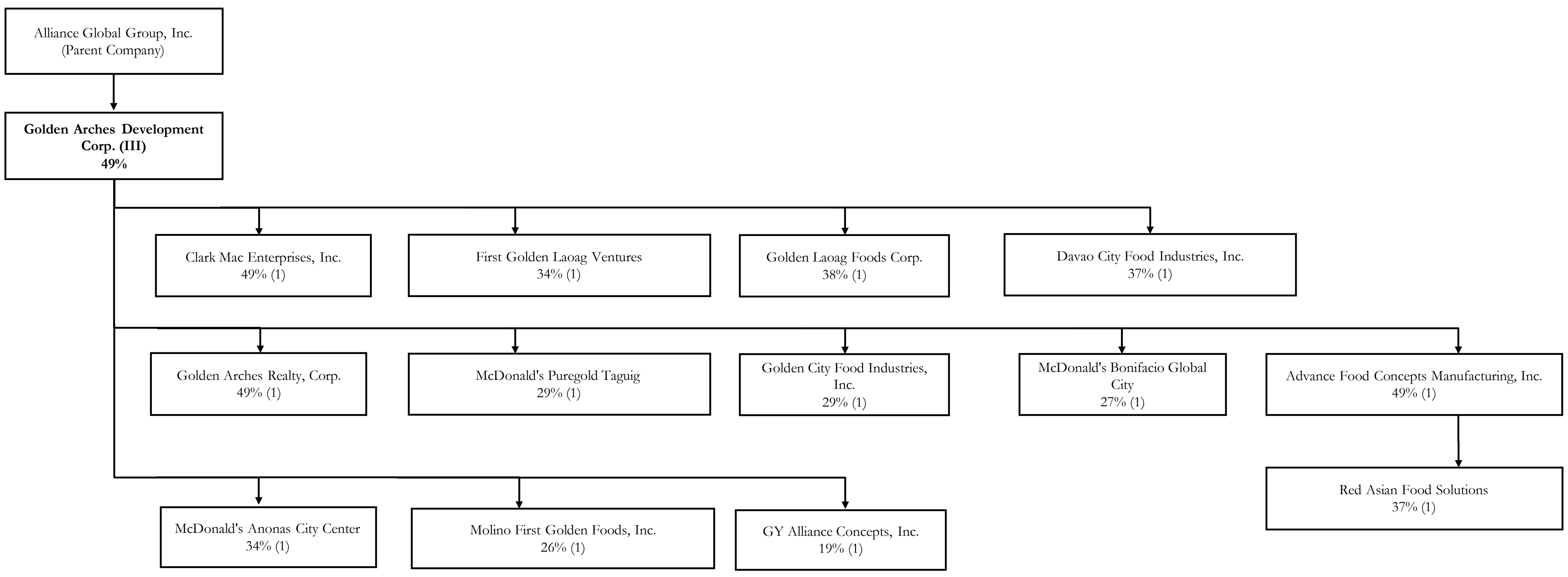
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
March 31, 2021



Legend
Relationship with Travellers International Hotel Group, Inc.
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group
March 31, 2021

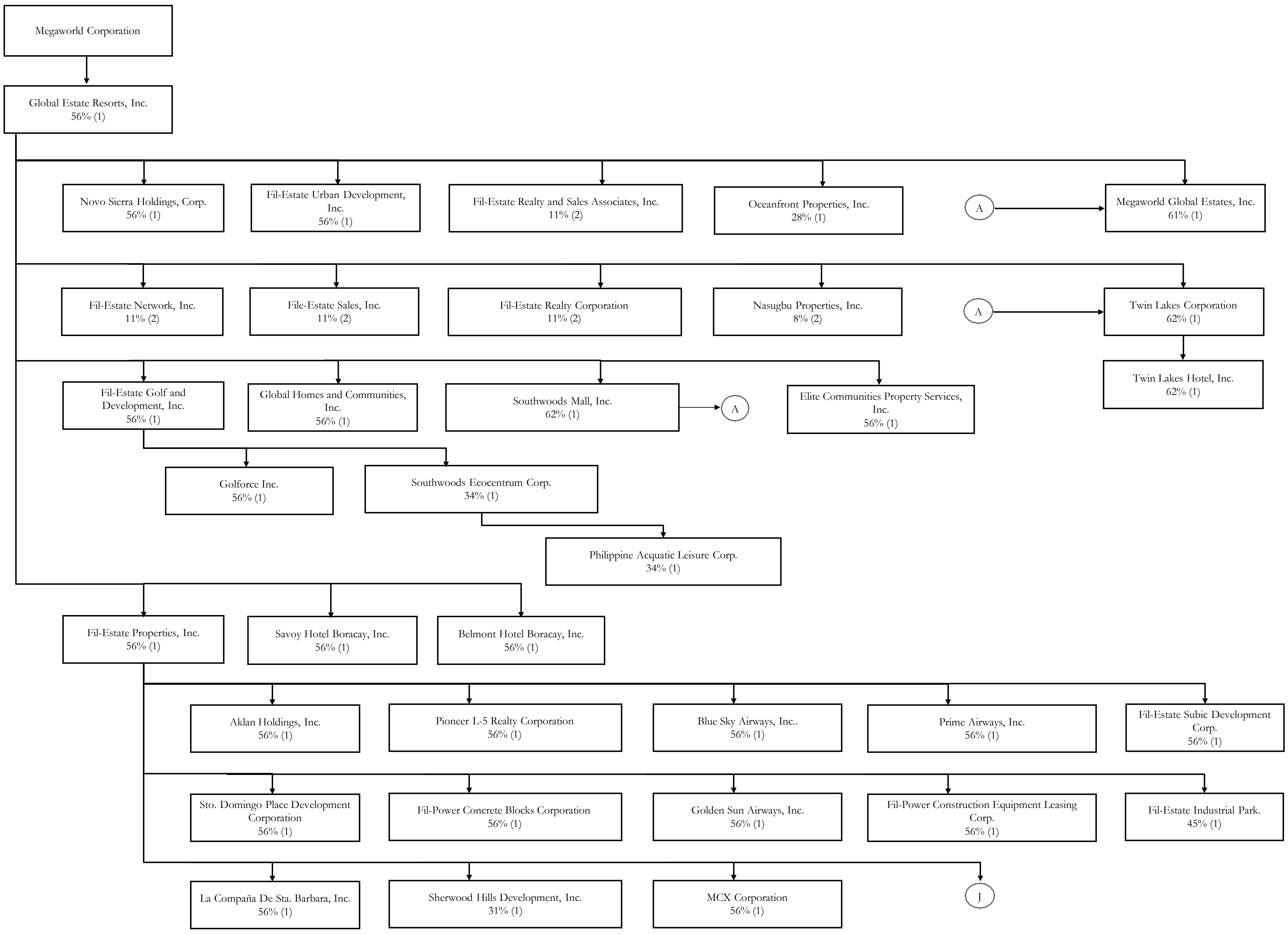


Legend
Relationship with Golden Arches Development Corporation
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.

G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
March 31, 2021

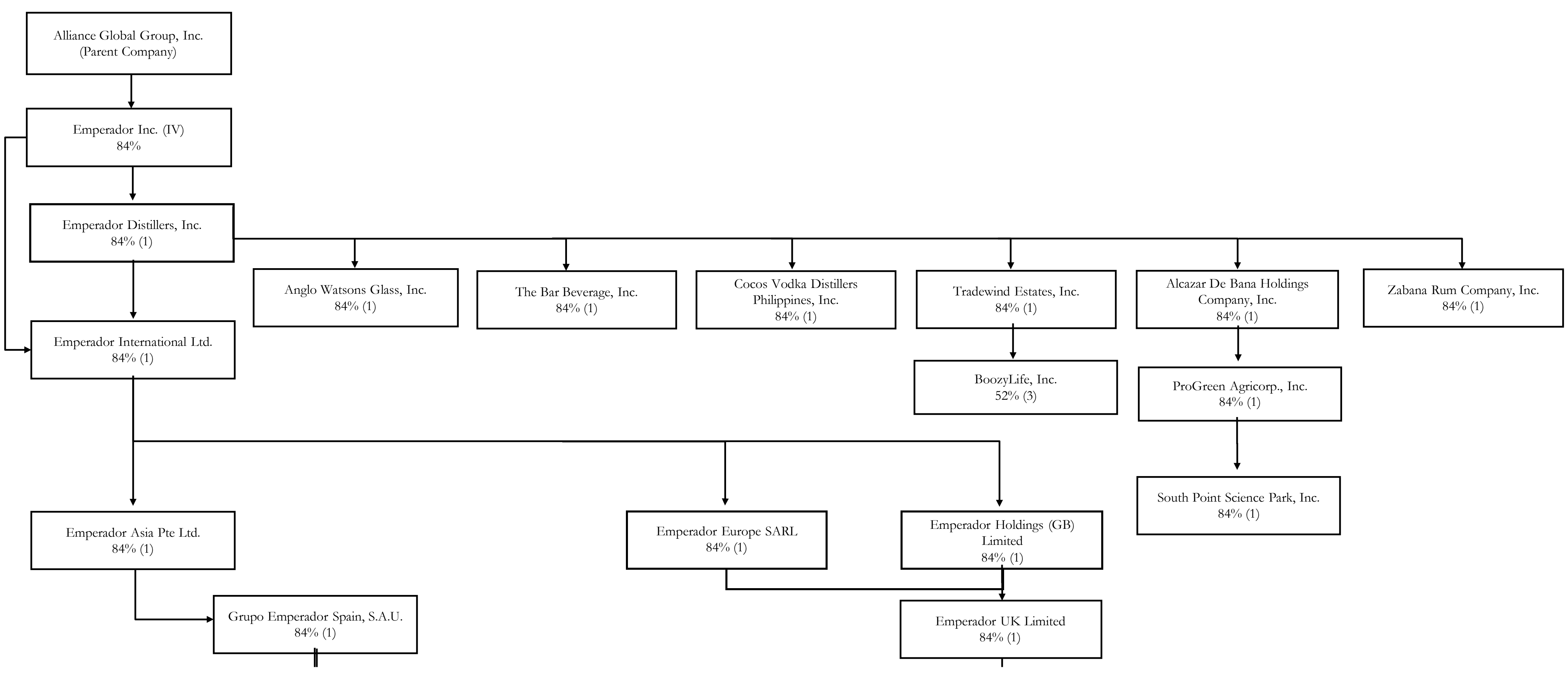


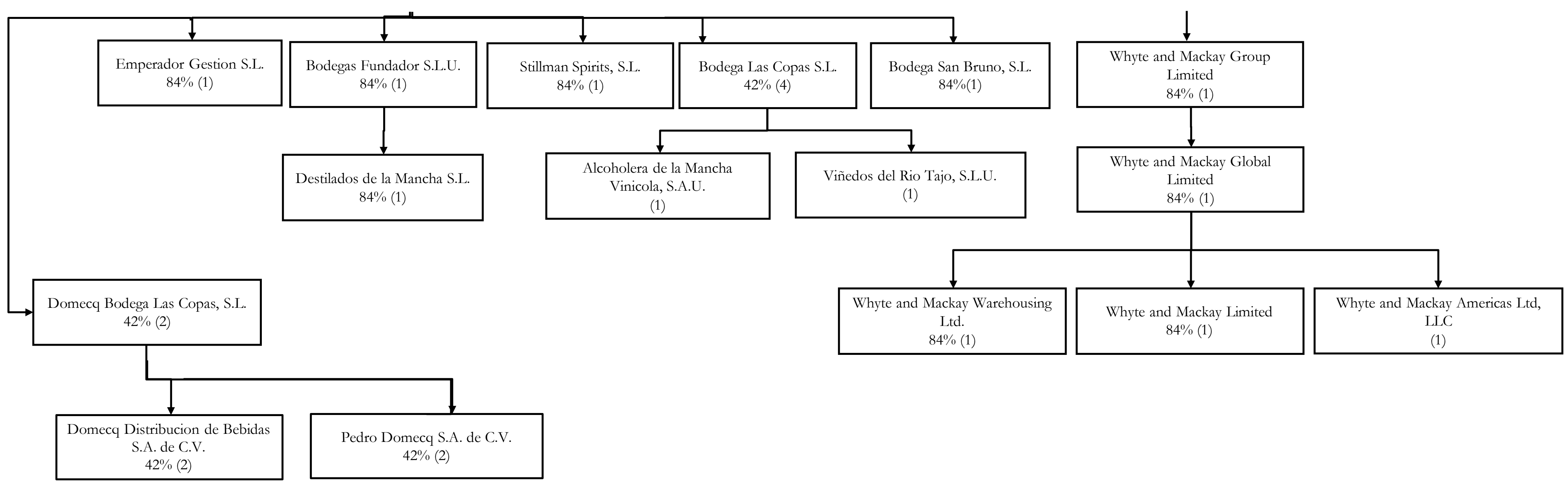
Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Emperador Group
March 31, 2021





Legend

Relationship with Emperador Inc.

(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (62%)
(4) Jointly Controlled Entity

CERTIFICATION

The REINVESTMENT PLAN was prepared and assembled under our supervision in accordance with existing rules of the Securities and Exchange Commission, Philippine Stock Exchange, and the Bureau of Internal Revenue. The information and data provided herein are complete, true, and correct to the best of our knowledge and/ or based on authentic records.

By:

MEGAWORLD CORPORATION

Sponsor

LOURDES T. GUTIERREZ-ALFONSO
Chief Operating Officer

ANNEX 2

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF THE PROFIT PROJECTION

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF THE PROFIT PROJECTION

September 9, 2021

The Board of Directors
MREIT, Inc.
(Formerly Megaworld Holdings, Inc.)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Dear Sir/Madam,

Independent Auditor's Report on the Profit Projections for the Projected Years 2022 and 2023.

We report on the profit projection of MREIT, Inc. (the "Company") for the years ending June 30, 2022 and 2023 (the "Profit Projection"). This report has been prepared for inclusion in the real estate investment trust plan (the "REIT Plan") dated September 9, 2021 issued in connection with the Secondary Offering of 844,300,000 Common Shares and with an Over-allotment Option of up 105,537,500 Common Shares at the assumed Offer Price of up to P16.10 per Offer Share (the "Offering"). The Profit Projection, and the material assumptions on which it was prepared, are set out on the Profit Projection section of the REIT Plan issued by the Company.

Management's Responsibility
Management is responsible for the preparation of the Profit Projection and for the factors and assumptions made therein, as set out on the Profit Projection section of the REIT Plan, in accordance with Philippine Financial Reporting Standards (PFRS).

Auditors' Independence
We have complied with the independence and ethical requirements of the Code of Ethics for Professional Accountants in the Philippines, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Scope of Work
We have examined the profit projections, excluding certain non-PFRS measures, their reconciliation, calculation and amounts such as Funds from Operations, Adjusted Funds from Operations (AFFO), AFFO payout ratio, dividends payout ratio, illustrative price range per share, dividends, offer price, dividend yield, net operating income and capital expenditure as set out on the Profit Projection section of the REIT Plan which have been prepared on the basis of the assumptions as set out on the Profit Projection section of the REIT Plan, in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, *The Examination of Prospective Financial Information*. The Company is solely responsible for the profit projection, including the assumptions set out on the Profit Projection section of the REIT Plan on which they are based.

We planned and performed our work so as to obtain the information and explanations we considered necessary to conclude on whether the Profit Projection has been properly prepared on the basis stated and the basis of accounting used for the Profit Projection has been consistent with the accounting policies of the Company. Since the Profit Projection and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we express no opinion about whether the actual results reported will correspond to those shown in the Profit Projection and differences may be material.

Conclusion
Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projection as described in the Scope of Work section of this report. Further, in our opinion, the Profit Projection, is properly prepared on the basis of the assumptions as set out on the Profit Projection section of the REIT Plan, is consistent with the accounting policies adopted by the Company as set out in the notes to combined carve-out financial statements included in the REIT Plan for the period ended June 30, 2020, 2019, and 2018, and is presented in accordance with PFRS.

Even if the events anticipated under the hypothetical assumptions described in the REIT Plan occur, actual results are still likely to be different from the Profit Projection since other anticipated events frequently do not occur as expected and the variation may be material.

Other Matters
Attention is drawn to the risk factors set out on the Risk Factors section of the REIT Plan which describe the principal risks associated with the Offering to which the Profit Projection relate and the sensitivity analysis of the Profit Projection as set out on the Profit Projection section of the REIT Plan.

P&A Grant Thornton

Restriction on Use

This report has been prepared for inclusion in the REIT Plan to be issued in connection with the Offering of 844,300,000 Common Shares and with Over-allotment Option up to 105,537,500 Common Shares and is given for such purpose and for no other purpose.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

September 9, 2021

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines
T +63 2 8988 22 88

MREIT, Inc.

Profit Projections

Fiscal Years 2022 to 2023

Report Date: 9 September 2021

PROFIT PROJECTION

Statements contained in the profit projection section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the REIT Plan and are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, guarantee, warranty or prediction with respect to the accuracy of the underlying assumptions by any of the Company, the Joint Global Coordinators, the Joint Bookrunners, the International Bookrunners, Domestic Underwriters, our Sponsor or any other party involved in the Offer, or that these results will be achieved or are likely to be achieved (see "Forward-looking Statements" and "Risk Factors" for further details). Investors in the Shares are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this REIT Plan.

Punongbayan & Araullo relied on the financial projections provided by the Company. Notwithstanding the tasks performed by P&A during the engagement, the responsibility for the financial projections and the assumptions on which such projections are based rests with the Company. As the financial projections necessarily depend on subjective judgment, the projections carry substantial inherent uncertainties. Consequently, financial projections are not capable of being substantiated or audited in the same way as a financial statement which presents the results of a completed accounting period.

The SEC does not recommend any investments or investment strategies and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this REIT Plan.

None of the Company, the Joint Global Coordinators, the Joint Bookrunners, the International Bookrunners, the Domestic Underwriters, or our Sponsor, or any other party involved in the Offer guarantee the performance of the Company, the repayment of capital or the payment of any distributions, or any particular return on the Shares. The projected yields stated in the following table are calculated based on:

- ***The assumed Offer Price of up to P16.10; and***
- ***The assumption that the Listing Date is September 30, 2021.***

Such yields will vary accordingly if the Listing Date is not on September 6, 2021, or for investors who purchase Shares in the secondary market at a market price that differs from the assumed Offer Price. For the avoidance of doubt, Shareholders shall only be entitled to dividends of the Company if they are shareholders as of the record date of such dividend declaration. The following table shows the Company's projected Statements of Comprehensive Income and Distribution for the Projection Period for Fiscal Years 2022 and 2023. The financial year end of the Company is June 30. The profit projection may be different to the extent that the actual date of issuance of Shares is other than September 30, 2021, being the assumed date of the issuance of Shares for the Offer.

The Company is solely responsible for the profit projection, including the assumptions set out in the REIT Plan on which they are based.

Punongbayan & Araullo has examined the profit projection, excluding certain non-PFRS measures, their reconciliation, calculation and amounts such as Funds from Operations, Adjusted Funds from Operations (AFFO), AFFO payout ratio, dividends payout ratio, illustrative price range per share, dividends, offer price, dividend yield%, net operating income and any capital expenditures, which have been prepared on the basis of the assumptions as set out in the REIT Plan, in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, *The Examination of Prospective Financial Information*. This section should be read together with the report "Independent Auditor's Report on Examination of the Profit Projection".

Projected Statements of Comprehensive Income and Distribution

The projected Statements of Comprehensive Income and Distribution are as follows:

	Projection Period 2022 (One Year From July 01, 2021 To June 30, 2022) (Unaudited)	Projection Period 2023 (One Year From July 01, 2022 To June 30, 2023) (Unaudited)
	(P million)	(P million)
REVENUE		
Rental income	2,310.40	2,434.03
Dues	154.65	162.38
Income from Deferred Credits	32.02	37.00
	2,497.07	2,633.41
COST AND EXPENSES		
Direct operating expenses		
Association dues	(1.14)	(0.57)
Real Property Taxes	(16.48)	(16.48)
Commissions	(12.62)	(6.37)
Business Tax Expense	(33.37)	(37.64)
Property Management	(49.81)	(53.49)
Fund Management	(87.16)	(93.61)
Land lease	-	-
NET OPERATING INCOME	**2,296.49**	**2,425.23**
General and administrative expenses	(15.80)	(16.46)
	2,280.69	2,408.77
OTHER INCOME (CHARGES) – Net		
Interest income	48.75	51.92
Interest expense	(33.78)	(35.49)
INCOME BEFORE INCOME TAX	2,295.66	2,425.21
Income Tax	-	-
NET INCOME	2,295.66	2,425.21
Distribution adjustments	-	-
DISTRIBUTABLE INCOME	**2,295.66**	**2,425.21**
Income from Deferred Credits	(32.02)	(37.00)
Interest Expense	33.78	35.49
Straight-line rent adjustments	44.50	98.46
Capital Expenditure	(37.64)	(40.42)
Adjusted funds from operations (AFFO)	2,304.28	2,481.74
Dividend payout ratio (%)	100%	102%
Dividends	2,304.28	2,481.74
No. of outstanding shares (in million)	2,532.12	2,532.12
Dividends per share	0.91	0.98
Illustrative price range per share		
Offer Price	16.10	16.10
With 5% discount on Offer Price	15.30	15.30
With 10% discount on Offer Price	14.50	14.50
Dividend yield (%)		
Offer Price	5.7%	6.1%
With 5% discount on Offer Price	6.0%	6.4%
With 10% discount on Offer Price	6.3%	6.8%

Notes:

(1) Income from deferred credits arises from the straight-line recognition of the difference between the security deposit received and its present value over the lease term.

(2) Dividend payout ratio is derived by dividing dividends by full year distributable income. Please see "Dividends and Dividend Policy" in this REIT Plan for the calculation of the full year distributable income.

(3) *Shareholders shall only be entitled to dividends of the Company if they are shareholders as of the record date of such dividend declaration. Projected dividends are based on adjusted funds from operations ("AFFO"). Please see "Dividends" for the reconciliation of net income in accordance with PFRS to AFFO.*

ASSUMPTIONS

The Company has prepared the profit projection on the following assumptions. The Company considers these assumptions to be appropriate and reasonable as at the date of this REIT Plan. However, investors should consider these assumptions as well as the profit projection and make their own assessment of the future performance of the Company.

Revenue and Net Operating Income Contribution of Each Property

The projected contributions of each of the properties to revenue are as follows:

Contribution to Revenue	**Projection Period 2022 (Unaudited)**		**Projection Period 2023 (Unaudited)**	
	(₱ millions)	%	(₱ millions)	%
One Techno Place	65.85	3%	74.47	3%
Richmonde Tower	59.89	2%	61.31	2%
8/10 Upper McKinley Building	180.79	7%	195.74	7%
18/20 Upper McKinley Building	289.53	12%	292.47	11%
One World Square	400.19	16%	409.73	16%
Two World Square	265.58	11%	276.00	10%
Three World Square	244.62	10%	256.28	10%
1880 Eastwood Avenue	295.33	12%	342.21	13%
E-Commerce Plaza	224.04	9%	231.22	9%
1800 Eastwood Avenue	414.83	17%	437.58	17%
Richmonde Hotel Iloilo	56.40	2%	56.40	2%
Total	2,497.07	100%	2,633.41	100%

The projected contributions of each of the Properties to net operating income (calculated as revenue less direct operating expenses) are as follows:

Net operating income	**Projection Period 2022 (Unaudited)**		**Projection Period 2023 (Unaudited)**	
	(₱ millions)	%	(₱ millions)	%
One Techno Place	60.96	3%	69.13	3%
Richmonde Tower	49.27	2%	50.56	2%
8/10 Upper McKinley Building	157.74	7%	176.50	7%
18/20 Upper McKinley Building	273.77	12%	275.84	11%
One World Square	371.61	16%	378.74	16%
Two World Square	242.08	11%	251.62	10%
Three World Square	225.39	10%	235.88	10%
1880 Eastwood Avenue	268.30	12%	310.88	13%
E-Commerce Plaza	208.42	9%	214.93	9%
1800 Eastwood Avenue	386.47	17%	408.71	17%

Richmonde Hotel Iloilo	52.49	2%	52.45	2%
Total	2,296.49	100%	2,425.23	100%

REVENUE

Revenue comprises of

- Rental income from offices, retail properties, and hotel.
- Dues pertains to net recoveries from tenants for the usage of common area and utilities; and
- Income from deferred credits

The projected Rental Income for the Properties are estimated as follows:

Rental income	**Projection Period 2022 (Unaudited)** (₱ millions)	%	**Projection Period 2023 (Unaudited)** (₱ millions)	%
One Techno Place	59.61	3%	68.33	3%
Richmonde Tower	54.85	2%	56.07	2%
8/10 Upper McKinley Building	163.13	7%	176.73	7%
18/20 Upper McKinley Building	268.49	12%	270.39	11%
One World Square	372.64	16%	381.02	16%
Two World Square	243.90	11%	252.96	10%
Three World Square	222.63	10%	232.25	10%
1880 Eastwood Avenue	273.06	12%	317.86	13%
E-Commerce Plaza	204.33	9%	210.60	9%
1800 Eastwood Avenue	391.36	17%	411.42	17%
Richmonde Hotel Iloilo	56.40	2%	56.40	2%
Total	**2,310.40**	**100%**	**2,434.03**	**100%**

The following assumptions are considered by the Company when projecting the Rental Income:

- Rental Income includes rentals from office, retail, and hotel.

- Rental Income presented above includes the effect of straight-line basis of accounting over the lease term, in compliance with PFRS 16. For the Projection Period 2022 and 2023, the Company recognized negative adjustments from straight-line method of P44.50 million and P98.46 million respectively;

- About 84% and 70% of Rental Income (exclusive of straight-line adjustments) for projection years 2022 and 2023, respectively, are based on executed contract of leases as of the date of the REIT Plan. Existing contract of leases for Office Properties normally have tenancy periods of between five and ten years, while Retail Properties have two (2) to five (5) years. Annual rental escalation provisions are also built into the Company's existing leases, generally ranges from 5% for offices for 10% for retail.

- The remaining 16% and 30% for projection years 2022 and 2023, respectively, are based on renewals of existing leases and new tenant leasing assumptions, taking into account historical occupancy rates of the Properties, market rental rates and provision for vacancy. Given the historical renewal rate of the Company's tenants, the Company expects to have similar level of tenancy renewals and stability in its tenant base.

- The Company has tempered their expectations through the projected years with occupancy rates increasing to 96% and 98% in 2022 and 2023, respectively. The Company, however, sees opportunities in the form of bigger space requirements from tenants, especially if social distancing will be the new norm. Furthermore, the Company believes that the work from home setup in the Philippines is plagued with many issues involving connectivity, high costs of infrastructure, and also the general set up of Philippine homes, which make the office setup still the preferred solution. Consequently, the Company expects its rental rates to remain unaffected.

- Rental revenues for Richmonde Hotel Iloilo is at Php 4.7 million per month (VAT exclusive) for the projection years 2022 and 2023, with no rent escalation until June 2032. From July 2032 until June 2046, rent will be at P3,000,000.00 per month plus 5% of gross rental revenue per month.

DUES

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

Dues	**Projection Period 2022 (Unaudited)** (₱ millions)	**Projection Period 2023 (Unaudited)** (₱ million)
Dues	463.61	486.79
Less: Direct cost		
Outside services	117.86	123.76
Repairs and maintenance	22.37	23.49
Utilities	113.20	118.86
Taxes, licenses and fees	27.09	28.45
Others	28.44	29.86
Total direct cost	308.97	324.42
	154.65	**162.38**

Below are the assumptions used in computing for the Dues:

- Dues are recognized when related services are rendered. Common area are computed based on rates stated on the executed contracts of lease multiplied by the gross leasable area occupied by the tenant.
- Outside services include security service salaries, membership fees, janitorial services, preventive maintenance, security services agency, and pest and termite control.
- Utilities charges are based on consumption or charges for emergency power and other public services, or utilities consumed or supplied in the leased premises.
- Taxes, licenses, and fees include professional fees and other taxes and licenses required to operate.
- Other costs involve expenses relating to supplies and materials, insurance, depreciation, meeting and events, communication, printing and photocopying, transportation, notarial services, banking charges, rental expenses, and other miscellaneous expenses.
- Dues and direct costs are projected to increase by 3% in 2022 and 5% in 2023.

COST AND EXPENSES

Cost and expenses consist of:

- Association dues
- Real property tax (RPT)
- Commissions
- Business tax
- General and administrative expenses
- Property management (PM) fees
- Fund management (FM) fees
- Land lease

Direct Operating Expense	Projection Period 2022 (Unaudited) (₱ million)	Projection Period 2023 (Unaudited) (₱ million)
Association dues	1.14	0.57
Real property tax	16.48	16.48
Commission expense	12.62	6.37
Business tax	33.37	37.64
Property management fees	49.81	53.49
Fund management fees	87.16	93.61
Land lease	-	-
Total	200.57	208.17

Association Dues

Association dues are monthly payments to be made by the REIT for vacant spaces. These are computed based on P140 per vacant gross leasable area (GLA).

Real Property Taxes

Real property taxes (RPT) are taxes payable to the municipality in which the properties are located. These are computed based on 80% of market value per tax declarations of the properties multiplied by the current property tax rate.

Commissions

Commissions are calculated at 100% or 200% of the lease contract's first monthly rental fee, depending on the floor area leased.

Business Taxes

Business taxes are computed on estimated gross rental receipts multiplied by the historical business tax rates.

Land Lease

Land lease pertains to rentals payable to the sponsor, Megaworld Corporation, for land area where the properties are located. These are computed based on the terms stated in the executed land lease agreements for each property. Payment for land lease will commence on July 1, 2023. The applicable rental rates for all properties are as follows:

	Rental rate from 01 July 2023 to 30 June 2025
Office and retail	2.5% of gross rental income
Hotel	1.5% of rentals and revenues

	Rental rate from 01 July 2025 onwards
Office and retail	5.0% of gross rental income
Hotel	3.0% of rentals and revenues

Fund Management Fee

Under the Fund Management Agreement, the Fund Manager will receive a management fee, equivalent to three and one half percent (3.5%) of MREIT's Gross Revenue exclusive of value-added taxes (hereafter referred to as the "Fund Management Fee") The Fund Management Fee paid to the Fund Manager in any given year shall not exceed one percent (1%) of the Net Asset Value of the properties under management. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = 0.035 x MREIT's Gross Revenue

The Fund Management Fee shall be payable to the Fund Manager annually.

Property Management Fee

Under the Property Management Agreement, the Property Manager will receive a management fee, equivalent to two percent (2%) of MREIT's Gross Revenue, exclusive of value-added tax (hereafter referred to as the "Property Management Fee". The Property Management Fee paid to the Property Manager in any given year shall not exceed one percent (1%) of the Net Asset Value of the Properties under its management. In computing the Fund Management Fee, the formula to be used shall be as follows:

Property Management Fee = 0.02 x Gross Revenue

The Property Management Fee shall be due and payable to the Property Manager in quarterly installments. The relevant period refers to the quarter for which the Property Management Fee is to be applied.

General and Administrative Expenses

General and administrative expense consists of expenses such as executive compensation, salaries and wages, employee benefits, medical benefits, rent, office supply, permits and licenses, utilities, transportation and travel, meetings and conferences, advisory fees, and other benefits and bonuses.

General and Administrative Expenses	**Projection Period 2022 (Unaudited)**		**Projection Period 2023 (Unaudited)**	
	(₱ million)	(%)	(₱ million)	(%)
Executive compensation	5.74	36%	6.03	37%
Salaries and wages	3.32	21%	3.48	21%
Employee benefits	1.21	8%	1.24	8%
Other benefits and bonuses	3.01	19%	3.1	19%
Medical benefits	0.29	2%	0.3	2%
Rent	1.46	9%	1.5	9%
Office supplies	0.03	0%	0.03	0%
Permits and licenses (employees)	0.01	0%	0.01	0%
Utilities	0.19	1%	0.2	1%
Transportation and travel	0.07	0%	0.07	0%
Meetings and conferences	0.07	0%	0.07	0%
Advisory fees	0.40	3%	0.41	2%
Total	15.80	100%	16.46	100%

OTHER EXPENSES

Interest Expense

Interest expense pertains to accretion of security deposits. It has been estimated based on the discount rate at the time of receipt of security deposits.

Interest Income

Interest Income pertains to the interest received from its cash deposits in the bank. Interest rate is assumed to be 1.50% per annum, before deduction of 20% final tax rate.

PROVISION FOR INCOME TAX

For Projection Period 2022 and 2023, there is no provision for income tax recognized since the Company will be paying 100% of its Adjusted funds from operations (AFFO) as dividends.

CAPITAL EXPENDITURE

Capital expenditure is projected to be at 1.5% of rental income (before straight-line adjustments) and dues for the projection years 2022 and 2023.

DIVIDENDS

Funds from operations (“FFO”) is equal to net income, excluding gains or losses from sales of property and 1.) deducting the difference between income from the straight-line method of recognizing revenue and actual income 2.) deducting income from deferred credits for security deposits 3.) adding back interest expense from accretion of security deposits. Adjusted funds from operations (“AFFO”) is calculated by subtracting from FFO recurring capital expenditures that are capitalized by the Company and then amortized, but which are necessary to maintain the Company’s properties and its revenue stream.

The use of FFO and AFFO, combined with the required PFRSs presentations, improves the understanding of our operating results among investors. AFFO is an important measurement because the Company’s leases generally have contractual escalations of base rents that is not directly observable in the Company’s statements of comprehensive income due to application of straight-line method of recognizing Rental Income. Non-cash expenses are added while capital expenditures on existing investment properties are deducted in the calculation of AFFO. Hence, AFFO provides a better measure of its dividend-paying capability. As the Company is adopting the revaluation model for the valuation of its investment properties, no depreciation expense will be recognized and adjusted.

AFFO should not be considered as an alternative to cash flows from operating activities (calculated pursuant to PFRS) as an indicator of the Company’s liquidity.

	Projection Period 2022 (Unaudited) (P million)	Projection Period 2022 (Unaudited) (P million)
Net Income	2,295.66	2,425.21
Distribution adjustments	-	-
Distributable Income	2,295.66	2,425.21
Income from Deferred Credits	(32.02)	(37.00)
Interest Expense	33.78	35.49
Straight-line rent adjustments	44.50	98.46
Funds from operations (FFO)	2,341.93	2,522.16
Capital expenditures on existing investment properties	(37.64)	(40.42)
Adjusted funds from operations (AFFO)	2,304.28	2,481.74
AFFO payout ratio	100%	100%
Dividends	2,304.28	2,481.74
Total dividends as percentage of distributable Income	**100%**	**102%**

The REIT Law expects a REIT to distribute annually a total of at least 90% of its Distributable income. In Projection Period 2022 and 2023, the Company expects to distribute 100% of its AFFO or more than 100% of its distributable income.

ACCOUNTING STANDARDS

The Company has adopted the Philippine Financial Reporting Standards (PFRSs).

The Company assumes that a change in applicable accounting standards or other financial reporting requirement will not have a material effect on the profit projection. Significant accounting policies adopted by the Company in the preparation of the profit projection are set out in the Financial Statements of the Company as of June 30, 2020, 2019 and, 2018.

OTHER ASSUMPTIONS

The Company has made the following additional assumptions in preparing the profit projections:

- The Company did not assume additional property acquisitions during Projection Period 2022 and 2023;
- Apart from the initial public offering in September 2021, the Company assumed that there are no further equity or debt capital raised during Projection Period 2022 and 2023;
- There will be no pre-termination of any committed leases (unless notice has already been given);
- There will be no change in the applicable tax legislation, other applicable legislation, or regulatory or juridical interpretation of the same for Projection Period 2022 and 2023.
- All leases and licenses as of July 1, 2021 are enforceable and will be performed in accordance with their terms during the Projection Period 2022 and 2023.

SENSITIVITY ANALYSIS

The projected distributions included in this REIT Plan are based on a number of assumptions that have been outlined above. The projected distributions are also subject to a number of risks.

Investors should be aware that future events cannot be predicted with any certainty and deviations from the figures projected in this REIT Plan are to be expected. To assist investors in assessing the impact of these assumptions on the Profit Projection, a series of tables demonstrating the sensitivity of the distribution yield to changes in the principal assumptions are set out below.

The sensitivity analyses are intended only as a guide. Variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown. The results of the sensitivity analyses below are based on the assumed Offer Price of up to P16.10 per share.

Rental Income

Changes in Rental Income will impact the Net Income of the Company and consequently, the dividend yield. The assumptions for Rental Income have been set out earlier in this section. The effect of variations in the Rental Income on the dividend yield is set out below:

	Dividend yield pursuant to changes in Rental Income	
	Projection Period 2022	Projection Period 2023
	(%)	(%)
5.0% above base case	5.96%	6.42%
Base case	5.65%	6.09%
5.0% below base case	5.34%	5.76%

Costs and Expenses

Changes in Costs and Expenses will impact the Net Income of the Company and consequently, the dividend yield. The assumptions for Costs and Expenses have been set out earlier in this section. The effect of variations in the Costs and Expenses on the dividend yield is set out below:

	Dividend yield pursuant to changes in Cost and Expenses	
	Projection Period 2022	Projection Period 2023
	(%)	(%)
5.0% above base case	5.63%	6.06%
Base case	5.65%	6.09%
5.0% below base case	5.68%	6.12%

ANNEX 3

VALUATION REPORTS

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Valuation Report

Prepared for:

MREIT, INC.

2021-01-IA: 1800 Eastwood Avenue -
Eastwood Avenue corner Orchard Road
Eastwood City, Barangay Bagumbayan
Libis, Quezon City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	1800 Eastwood Avenue, Eastwood Avenue corner Orchard Road, Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila, Philippines.		
Description	The Property comprises land (leasehold), leasehold improvements including building machinery & equipment of a site identified as "1800 Eastwood Avenue", a PEZA registered, Grade A office building, interconnected with "Eastwood Mall" and "1880 Eastwood Avenue".		
Land Area	3,837 sq.m.		
Gross Floor Area	43,422.70 sq.m.	**Gross Leasable Area**	34,738.15 sq.m.
Occupancy	98%	**WALE**	3.05 years
Ave. Lease Rate	PhP913/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE **(Income Approach)**	**PhP7,706,000,000** **SEVEN BILLION, SEVEN HUNDRED SIX MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as "**1800 Eastwood Avenue**" located along **Eastwood Avenue corner Orchard Road,** within **Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3**.
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise 1.13 The valuation process was performed by **Randy A. Katigbac**, under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting 1.14 This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection 1.15 We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Jacqueline T. Guerta** and **Randy A. Katigbac**. Valuation date, however, is **31 March 2021**.

1.16 The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

Investigations 1.17 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided 1.18 In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy
- Property Photographs

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021.**

2 The Property

Location

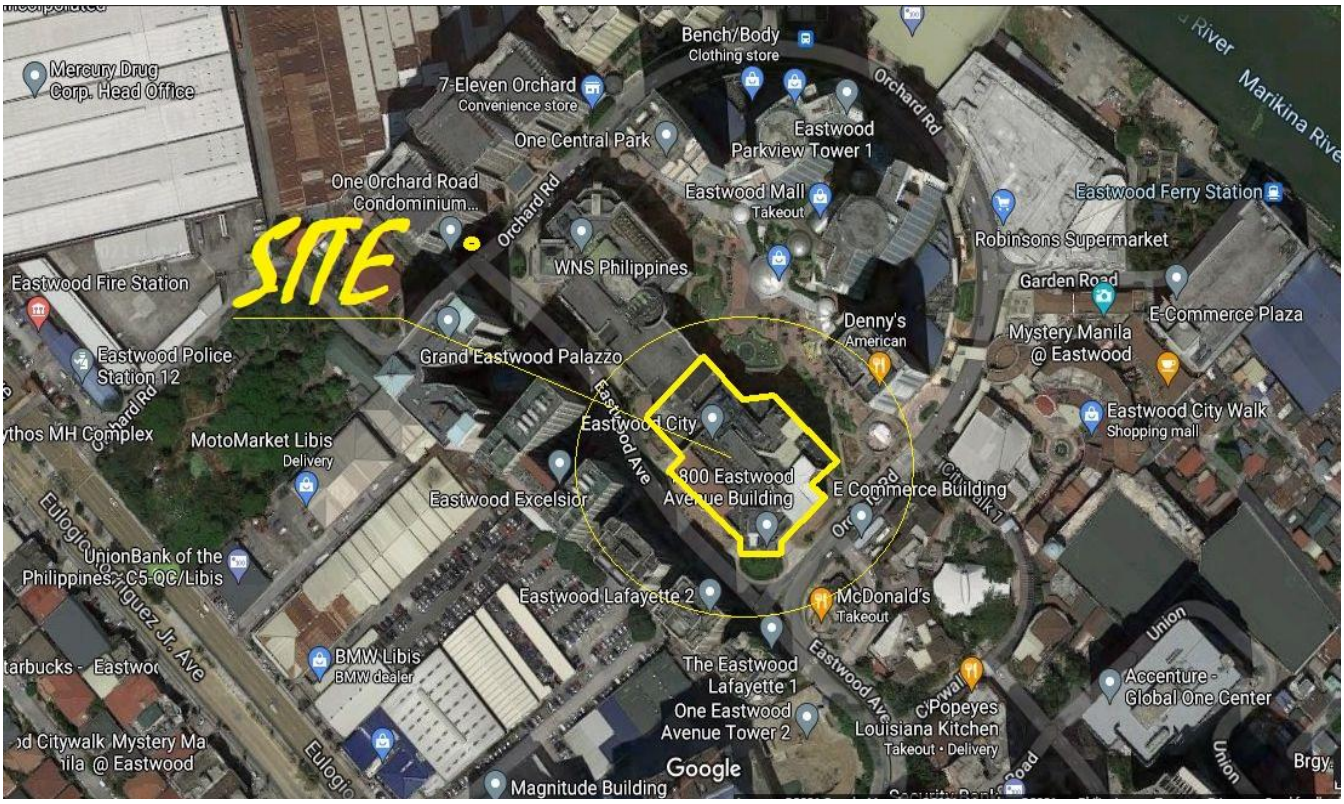
Address

2.1 The Property is identified as **“1800 Eastwood Avenue”**, an office building located at the north corner of Eastwood Avenue and Orchard Road, being across or northeast from “Eastwood Excelsior” and “The Eastwood Lafayette”, within Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metro Manila.

The Property is adjacent to Eastwood Central Park, situated within the same block where “Eastwood Mall” and “1880 Eastwood Avenue” are erected. The block is bordered by Eastwood Avenue and the looping Orchard Road, and is about 250 meters northwest from Eastwood Cyber and Fashion Mall and approximately 450 meters north E. Rodriguez, Jr. Avenue (C-5 Road).

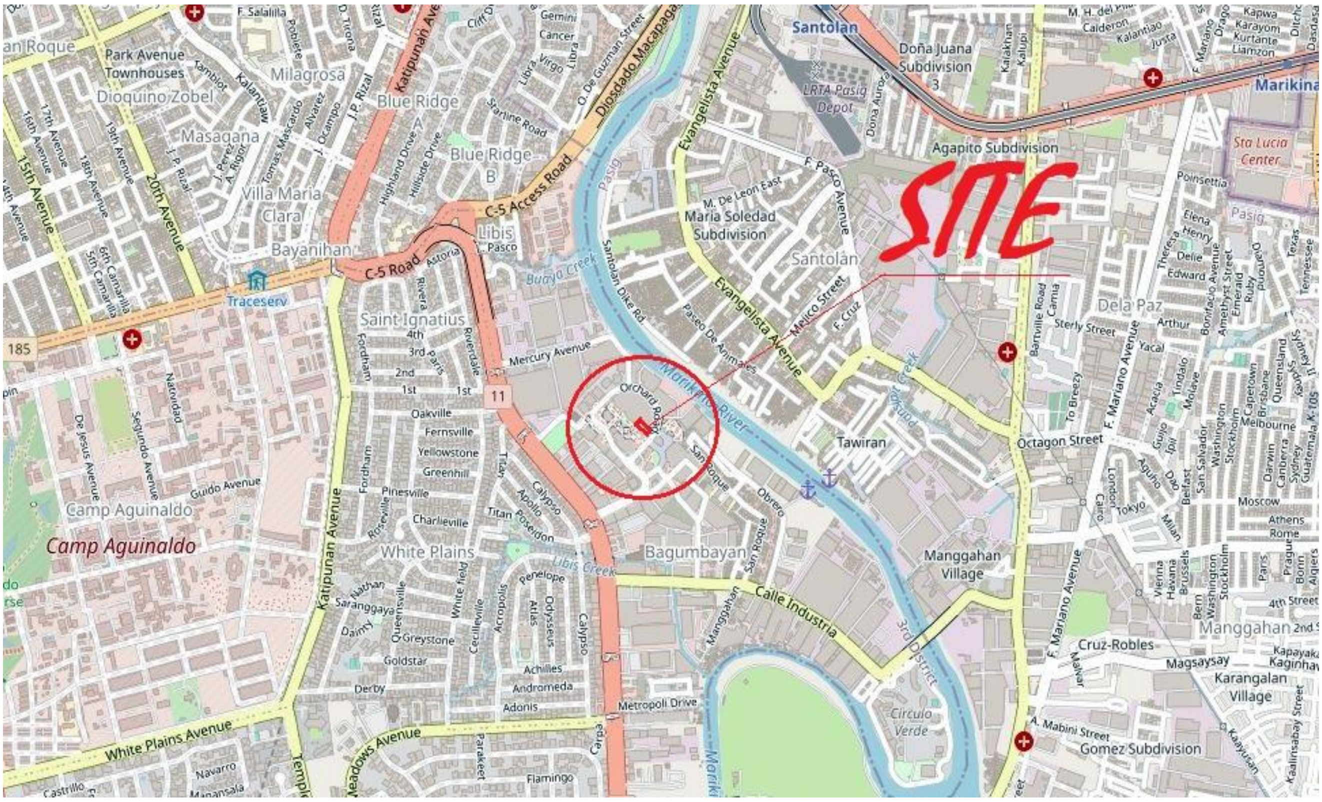
Meanwhile, Eastwood City Complex is about 1.9 kilometers north from the intersection of E. Rodriguez, Jr. Avenue and Ortigas Avenue and approximately 3.7 kilometers northeast from Ortigas Center. In addition, it is also about 4.5 kilometers southeast from Araneta Center in Cubao.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.



Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood

2.3 The Property is situated in Eastwood City, an 18.5-hectare mixed-use development complex in the former industrial district of Quezon City. Launched in 1997, it is Megaworld Corporation's first "live-work-play" community that offers complete facilities, amenities, and establishments for living, working, playing, and shopping.

Home to the largest business process outsourcing (BPO) locators, Eastwood City is the country's first IT park and the first project to be granted special economic zone status by the Philippine Economic Zone Authority (PEZA). Since its establishment as a premier Cyberpark, it has become a top employer and leading dollar-earner in the Philippines. Apart from being business community, Eastwood City is a residential community with 19 high-rise residential towers. Eastwood also is an Accredited Tourism Entertainment Complex by the Department of Tourism. Eastwood City offers families, professionals and urbanites a variety of shopping, dining and recreation offerings at its three lifestyle malls - Eastwood Mall, Eastwood Cyber and Fashion Mall, and Eastwood Citywalk, which are managed under the Megaworld Lifestyle Malls brand.

Outside Eastwood City, some commercial developments and residential villages can be found. Some of the residential developments include White Plains, Green Meadows Subdivision and Valle Verde.

Accessibility

2.4 The Property is mainly fronting Eastwood Avenue, the main road of the Eastwood Complex which in turn connects to E. Rodriguez, Jr. Avenue, where public transport system to various sections of the metropolis is readily available throughout the day.

Other community centers like churches, hospitals, and public and private schools are likewise within reach from the Property.

Legal Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, Inc. (formerly Megaworld Holdings, Inc.)** with the conformity of **Empire East Landholdings, Inc. (EELHI)**, as the Lessee.

Some of the salient details of the contracts are as under:

- The leased land is a 3,837-sqm portion of Block No 3, Pcs-00-010863, covered by Transfer Certificate of Title No. 307600, located in Barangay Bagumbayan, Quezon City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable

bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;

- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title 2.7 Based on documents provided to us by the Client, "1800 Eastwood Avenue" is erected on a land technically identified as Block No. 3, Pcs-00-010863 with an area of 20,969 sq.m. The land is covered by TCT No. N-307600 issued in favor of **EMPIRE EAST LAND HOLDINGS, INC.** by the Registry of Deeds for Quezon City.

Terrain 2.8 The terrain of the land is flat. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment 2.9 This is an office building identified as "1800 Eastwood Avenue", described below:

1800 Eastwood Avenue –
This is a ten (10)-storey, reinforced concrete-framed, PEZA registered, Grade A office building provided with roof deck with 2 utility levels, and one (1) basement parking level interconnected with Eastwood Mall and 1800 Eastwood Avenue. The building was completed sometime in 2006. It features a combination of Neoclassical and modern facades. The ground floor features a high-ceiling lobby. It also contains several retail stores ranging from coffee shops to boutiques of foreign brands while the rest of the floors, from 2nd to 10th floor are mainly occupied by BPO and several office tenants.

Architectural details and/or finishes of the building consist of pre-cast concrete panel walls and glass curtain/panel on every retail store front. The exterior also has granite tile cladding on columns and beams; glass panel windows and tempered glass entrance doors leading to the lobby. The interior finishes, meanwhile, consist of ceramic and granite tiles flooring on ground floor lobby and similarly in elevator hallways, and epoxy paint and plain cement finish on basement floors; plastered cement concrete hollow block partitions with partly granite tiles cladding on elevator hallways and lobby; Hardiflex and plywood ceiling; and hollow core, tempered glass panel, steel louver and steel roll-up doors. Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements.

The building is provided with mechanical and electrical services such as lifts & elevators, air conditioning and ventilating system, standby power supply, electrical power and distribution system, domestic water supply system, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 43,422.70 sq.m.

Note: Following instructions from the Client, the parking level (basement) was excluded in this valuation.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 43,422.70 sq. m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

UNIT	DESCRIPTION	SQ.M.
-------------	-------------	-------------
Ground Floor	Lobby/Retail	2,824.78
2nd Floor	Office Units	4,448.14
3rd floor	Office Units	4,560.06
4th Floor	Office Units	4,560.06
5th Floor	Office Units	4,576.08
6th Floor	Office Units	4,576.08
7th Floor	Office Units	4,642.50
8th Floor	Office Units	4,642.50
9th Floor	Office Units	3,511.25
10th Floor	Office Units	4,228.75
11th Floor	Utility Room	426.25
12th Floor	Utility Room	426.25

	Total	43,422.70

Condition

Scope of Inspection 2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted. In fact, reportedly, there was a renovation made in 2020 covering the ground floor lobby. Apart from this, there is also an on-going renovation of all comfort rooms, some of which are partially finished at the time of inspection.

Ground conditions

2.20 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.21 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are being processed thru the estate centralized Sewage Treatment Plant. Meanwhile, garbage collection, security, and service facilities and utilities within the complex premises are being maintained by Eastwood City Estate Association (ECEA).

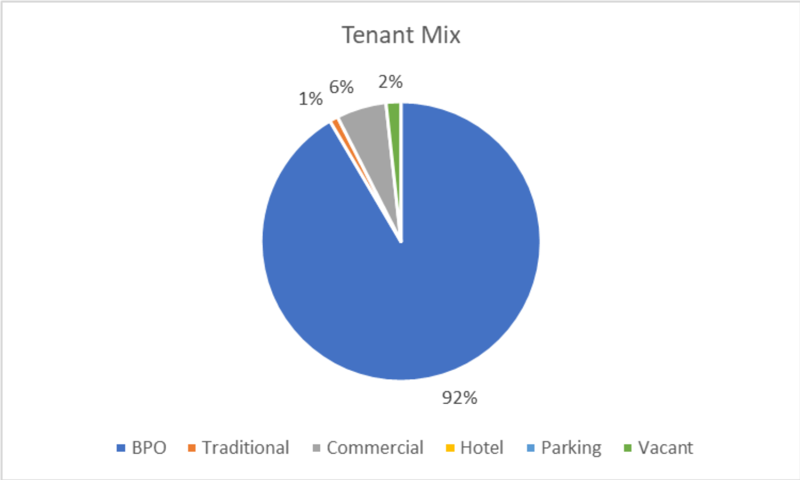
Tenancies

Tenancy Information

2.22 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

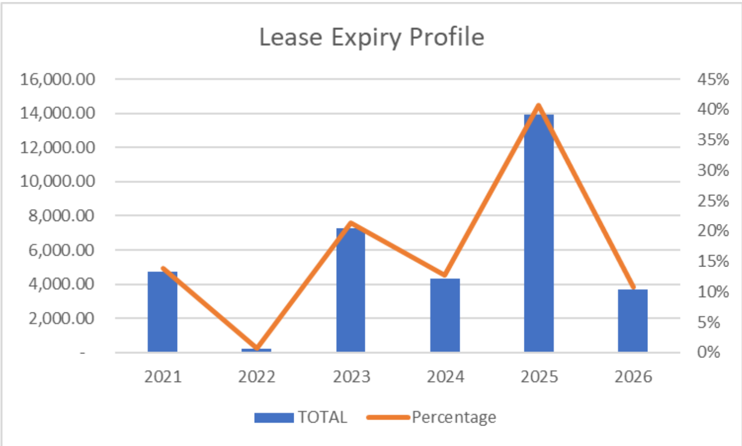
2.23 Based on the rent roll provided, total leasable area is **34,738.15** sq.m.

2.24 The Property currently has a mix of traditional offices, Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 92% of the Property's leasable area followed by traditional offices at 1%.



Source: SKF/MREIT

2.25 As of 31 March 2021, the Property is 98% occupied with a Weighted Average Lease Expiry (WALE) of 3.05 years. It has been noted that a sizeable area will expire in the years 2021, 2023, 2024 and 2025 with 14%, 21%, 13% and 41% of leased area respectively.



Source:SKF/MREIT

Roadways and Access

Roadways 2.26 The fronting roads are both 12 meters wide, asphalt-paved and provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access 2.27 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.28 Being situated within a well-planned commercial business district, we have ascertained that the Property, notwithstanding the fact that it is near Marikina River, is not within an indicative floodplain and that there is therefore a minimal risk of flooding.

Contamination 2.29 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.30 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

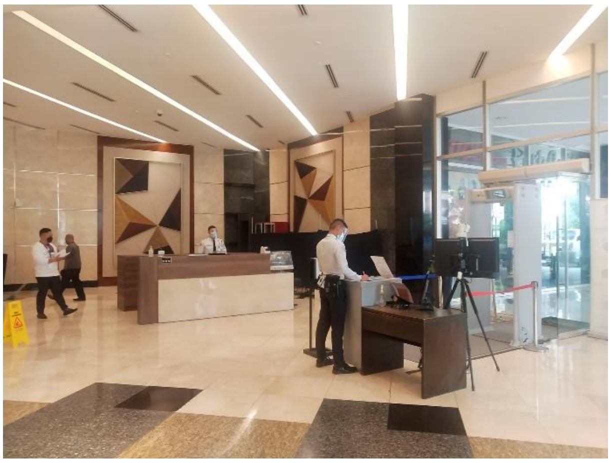
2.31 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.32 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

View along Eastwood Avenue

View at Central Park

Ground Floor Lobby

2.33 Other photographs of the Property are attached at Appendix **5**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

nb	Country Code ISO Alpha 3	Country Name [1]	Classification Previous	Classification Current Prevailing	Classification Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate

3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate

3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions

3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 9% of the Total Net Revenues. Operating costs and expenses included are basically divided into two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. General and Admin Expense is found under other operating expenses.

These percentage allocations were from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value	3.14	a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%. b. The sum of discounted cashflows of the Property represents the Market Value of the Property. The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **6**.

Valuation basis

Market Value	3.15	Market Value is defined in the 2019 **International Valuation Standards** as: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date	3.16	The valuation date is **31 March 2021**.

General Assumptions

Assumptions	3.17	Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.
Key Assumptions	3.18	Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.
	3.19	We have assumed that the title of the Property is clean and free of any liens and encumbrances.
Special Assumptions	3.20	We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
	3.21	As instructed by the Client, Parking Level is excluded in the valuation coverage. We have thus derived the Market Value of the Building using Income Approach by excluding the revenues the parking generates.

3.22 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Market Value

3.23 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP7,706,000,000 (SEVEN BILLION, SEVEN HUNDRED SIX MILLION PHILIPPINE PESOS)

Calculation 3.24 We attach a copy of our valuation calculations at Appendix **6**.

***Note**: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.*

Value forwarded PhP7,706,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JESUS CONSTANCE M. CASTRO, CPV®
Associate Director
Licensed Real Estate Appraiser
PRC Reg. No. 423
Date Issued and Validity: 04/14/2011 - 12/22/2022
PTR No. 8533465 - 01/05/2021; Makati City
TIN 185-543-916

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the Property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the Property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the Property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the Property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the Property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised Property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the Property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

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20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client

Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation

The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term

This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

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4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940.20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

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Santos Knight Frank

8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

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Newmark Knight Frank Global

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Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

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Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

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All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required Information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

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l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

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Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

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22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ____________________

Noted by:

CELIA N. ROCAMORA
Operations Director

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Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering
We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios
Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches
We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens
We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities
No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information
We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued
We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries
Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations
19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance
Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age
Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition
Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions
Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues
24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.

Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information

In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence

Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases

Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

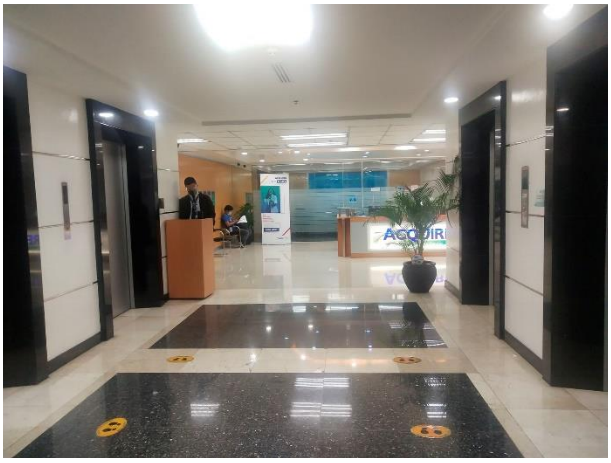
Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Master Development Plan

Appendix 5 - Photographs

VARIOUS VIEWS OF THE PROPERTY



BUILDING MACHINERY AND EQUIPMENT

Appendix 6 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**1800 EASTWOOD AVENUE**
PROPERTY ADDRESS	:	Eastwood Ave. corner Orchard Road, Eastwood City Cyberpark, Brgy. Bagumbayan, Quezon City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		285,909,693	389,395,526	397,337,178	409,151,151	424,282,284	447,190,885	471,904,031	497,743,466	525,466,581	555,182,619	145,698,499	614,272,828
Signage Leasing Revenues		2,913,950	4,055,953	4,258,751	4,471,689	4,695,273	4,713,979	4,930,037	5,176,538	5,435,365	5,707,134	1,424,640	5,992,490
Gross Leasing Revenues		288,823,643	393,451,480	401,595,929	413,622,840	428,977,557	451,904,865	476,834,068	502,920,004	530,901,946	560,889,752	147,123,139	620,265,318
Less: Vacancy Allowance		3,785,206	3,893,955	3,973,372	4,091,512	4,242,823	4,471,909	4,719,040	4,977,435	5,254,666	5,551,826	1,456,985	6,142,728
Net Leasing Revenues		285,038,436	389,557,524	397,622,557	409,531,328	424,734,734	447,432,956	472,115,028	497,942,570	525,647,281	555,337,926	145,666,154	614,122,590
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		48,378	48,633	48,633	48,633	48,633	48,633	48,633	48,633	48,633	48,633	12,092	48,633
Real Property Taxes													
Land Lease		-	-	4,970,282	10,238,283	15,927,553	22,371,648	23,605,751	24,897,128	26,282,364	27,766,896	7,283,308	30,706,129
Other Operating Expenses													
General and Admin Expense		14,251,922	19,477,876	19,881,128	20,476,566	21,236,737	22,371,648	23,605,751	24,897,128	26,282,364	27,766,896	7,283,308	30,706,129
TOTAL COSTS & EXPENSES		14,300,300	19,526,510	24,900,043	30,763,483	37,212,923	44,791,929	47,260,136	49,842,890	52,613,361	55,582,426	14,578,707	61,460,892
NET OPERATING INCOME		270,738,137	370,031,015	372,722,514	378,767,845	387,521,812	402,641,027	424,854,891	448,099,679	473,033,919	499,755,500	131,087,447	552,661,697
CAPEX		8,551,153	11,686,726	11,928,677	12,285,940	12,742,042	13,422,989	14,163,451	14,938,277	15,769,418	16,660,138	4,369,985	
NOI after CAPEX		262,186,984	358,344,289	360,793,837	366,481,905	374,779,770	389,218,038	410,691,441	433,161,402	457,264,501	483,095,362	126,717,462	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		245,748,075	308,143,483	284,632,910	265,247,953	248,856,590	237,104,320	229,527,994	222,097,292	215,097,073	208,484,314	53,526,825	
Total Present Worth of Cashflows		2,518,466,828											
Terminal Value of Property at 11Y	4.5%	12,281,371,049											
Discounted at	0.42	5,187,783,854											

TOTAL PROPERTY VALUE	**7,706,250,682**
Rounded to, say	**7,706,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.
Director

T 632.752.2580

F 632.752.2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA
Director

T 632.752.2580

F 632.752.2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

JESUS CONSTANCE M. CASTRO

Associate Director

T 632.752.2580

F 632.752. 2571

Jesus.Castro@santos.knightfrank.ph

Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas

PROFESSIONAL PROFILE

RANDY A. KATIGBAC

Assistant Manager

T 632.7752.2580

F 632.7752.2571

Randy.Katigbac@santos.knightfrank.ph

Randy A. Katigbac is an Assistant Manager of Santos Knight Frank in the Valuations Group. He is responsible for handling valuation of Plant Machinery & Equipment and light Real Estate assignments of the Company.

Prior to joining Santos Knight Frank, Randy was involved with General Appraisal Company (Phils.), Inc. and Royal Asia Appraisal Corporation. He started as staff appraiser sometime in 1997. Through the years, he has gained vast experience in industrial valuation and attended several appraisal seminars enhancing his professional advancement. During his more than 22 years' experience in his field, he had been involved in property valuation projects concerning different types of industrial properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications, oil refinery and had likewise gained an expansive experience in personnel management and development of client relations. He is also expanding his expertise and has been involved in light real estate valuation projects.

- Associate Member, Philippine Society of Mechanical Engineers
- Bachelor of Science in Mechanical Engineering, Technological Institute of the Philippines, Manila City

Valuation Report

Prepared for:

MREIT, INC.

2021-02-IA: 1880 Eastwood Avenue -
Eastwood Avenue corner Orchard Road
Eastwood City, Barangay Bagumbayan
Libis, Quezon City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	1880 Eastwood Avenue, Eastwood Avenue corner Orchard Road, Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila, Philippines		
Description	The Property comprises land (leasehold), leasehold improvements including building machinery & equipment of a site identified as "1880 Eastwood Avenue", a PEZA registered, Grade A office building, interconnected with "Eastwood Mall" and "1800 Eastwood Avenue", about 250 meters northwest from Eastwood Cyber and Fashion Mall.		
Land Area	3,670 sq.m.		
Gross Floor Area	42,184.01 sq.m.	**Gross Leasable Area**	33,743.82 sq.m.
Occupancy	77%	**WALE**	4.38 years
Ave. Lease Rate	PhP806/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE (Income Approach)	**PhP6,790,000,000** **SIX BILLION, SEVEN HUNDRED NINETY MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 21, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as "**1880 Eastwood Avenue**" located along **Eastwood Avenue corner Orchard Road,** within **Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3**.
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise

1.13 The valuation process was performed by **Ronaldo D. Delfin**, under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting

1.14 This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection

1.15 We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Jacqueline T. Guerta** and **Ronaldo D. Delfin**. Valuation date, however, is **31 March 2021**.

1.16 The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

Investigations

1.17 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided

1.18 In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021.**

2 The Property

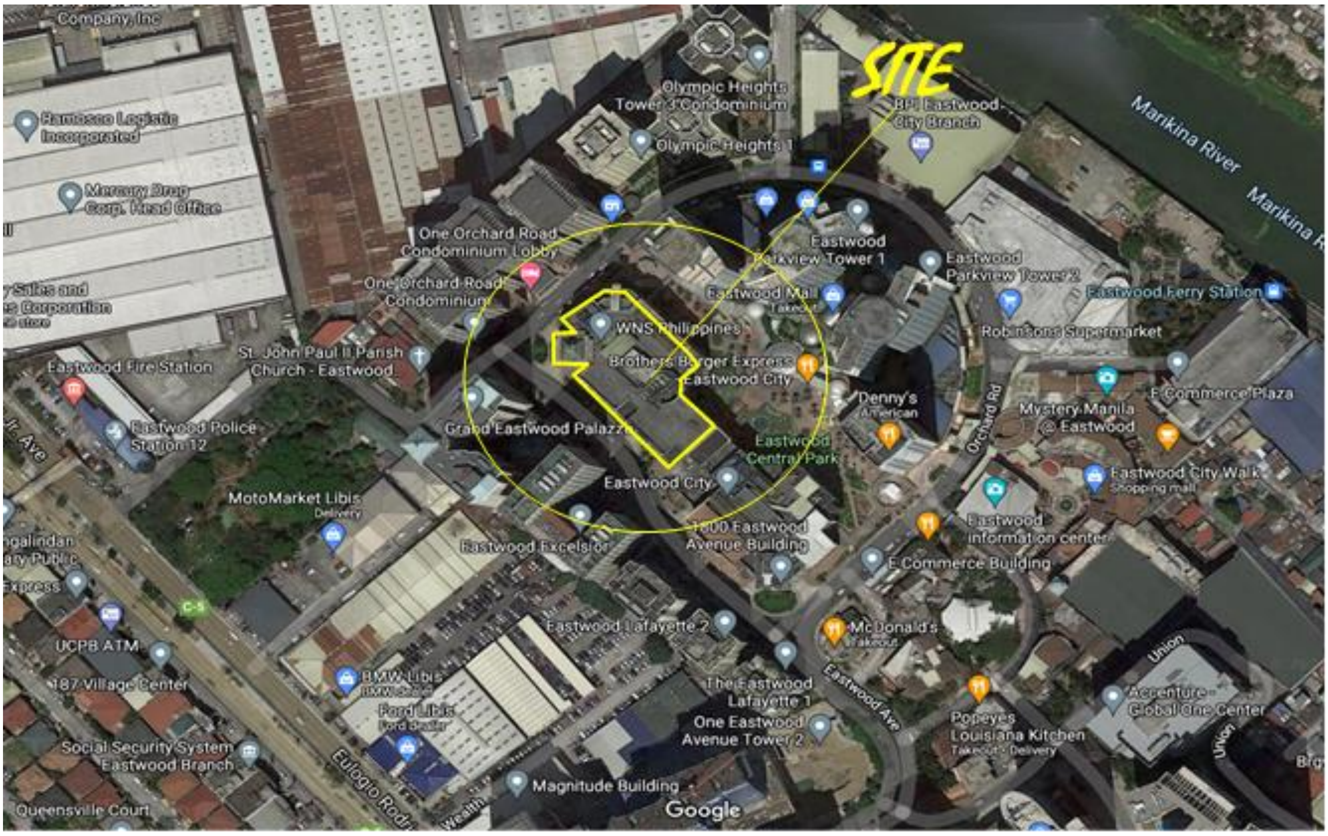
Location

Address 2.1 The Property is identified as **"1880 Eastwood Avenue"**, an office building located on the east corner of Eastwood Avenue and Orchard Road, being across or northeast from "Grand Eastwood Palazzo" and "Eastwood Excelsior", within Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila.

The Property is interconnected with "1800 Eastwood Avenue" and located behind is "Eastwood Mall". The site is about 250 meters northwest from Eastwood Cyber and Fashion Mall, and approximately 450 meters north E. Rodriguez, Jr. Avenue (C-5 Road).

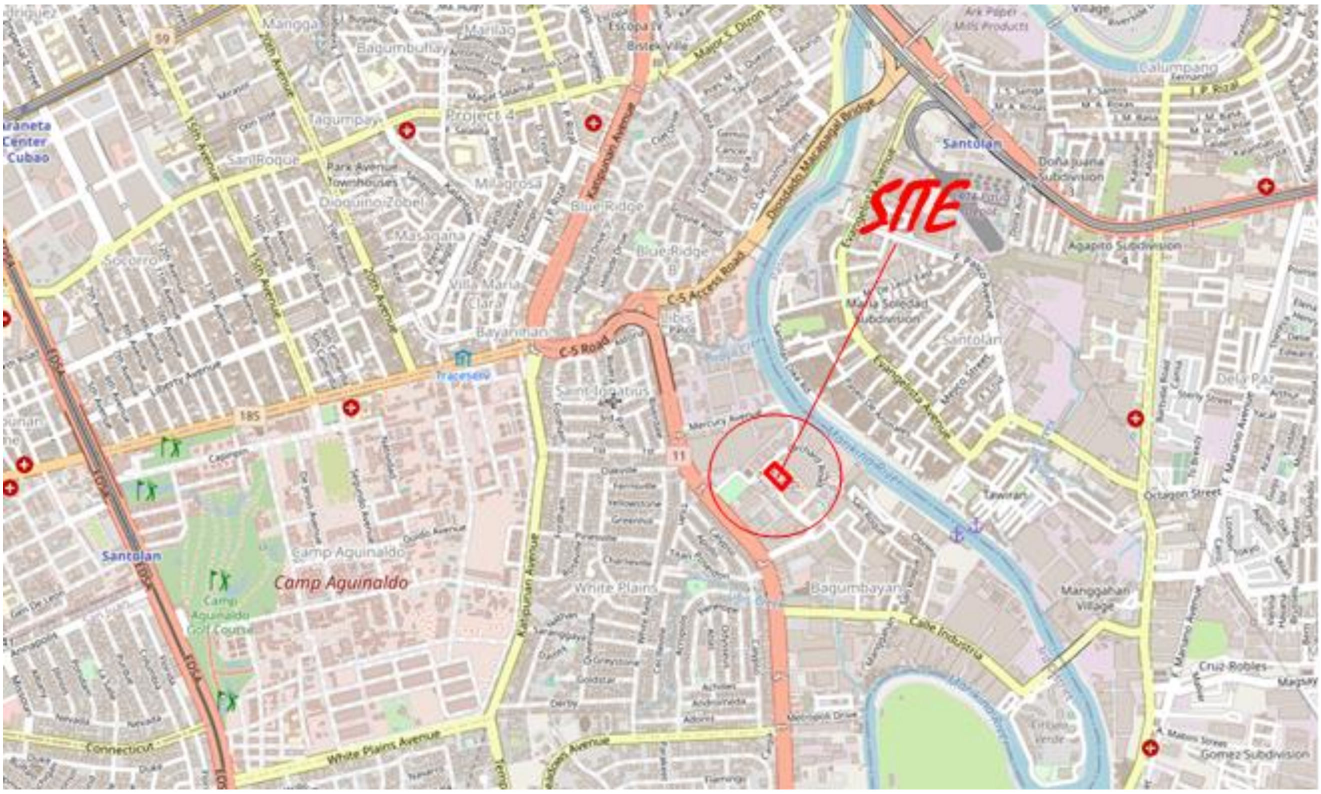
Meanwhile, Eastwood City Complex is about 1.9 kilometers north from the intersection of E. Rodriguez, Jr. Avenue and Ortigas Avenue and approximately 3.7 kilometers northeast from Ortigas Center. In addition, it is also about 4.5 kilometers southeast from Araneta Center in Cubao.

Below is a satellite image of the district courtesy of Google Maps showing the Property and the surrounding development of Eastwood City.



Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood

2.3 The Property is situated in Eastwood City, an 18.5-hectare mixed-use development complex in the former industrial district of Quezon City. Launched in 1997, it is Megaworld Corporation’s first “live-work-play” community that offers complete facilities, amenities, and establishments for living, working, playing, and shopping.

Home to the largest business process outsourcing (BPO) locators, Eastwood City is the country’s first IT park and the first project to be granted special economic zone status by the Philippine Economic Zone Authority (PEZA). Since its establishment as a premier Cyberpark, it has become a top employer and leading dollar-earner in the Philippines. Apart from being business community, Eastwood City is a residential community with 19 high-rise residential towers. Eastwood also is an Accredited Tourism Entertainment Complex by the Department of Tourism. Eastwood City offers families, professionals and urbanites a variety of shopping, dining and recreation offerings at its three lifestyle malls - Eastwood Mall, Eastwood Cyber and Fashion Mall, and Eastwood Citywalk, which are managed under the Megaworld Lifestyle Malls brand.

Outside Eastwood City, some commercial developments and residential villages can be found. Some of the residential developments include White Plains, Green Meadows Subdivision and Valle Verde.

Accessibility

2.4 The Property is mainly accessible thru the fronting Eastwood Avenue, the main road of the Eastwood Complex which in turn connects to E. Rodriguez, Jr. Avenue, a main thoroughfare where public transport system to various sections of the metropolis is readily available throughout the day.

Other community centers like churches, hospitals, and public and private schools are likewise accessible within reach from the Property.

Legal Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, Inc. (formerly Megaworld Holdings, Inc.)** with the conformity of **Empire East Landholdings, Inc. (EELHI)**, as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 3,670-sq. m. portion of Block 3, Pcs-00-010863 covered by Transfer Certificate of Title No. N-307600, located in Barangay Bagumbayan, Quezon City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;

- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure

2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title

2.7 Based on documents provided to us by the Client, "1880 Eastwood Avenue" is erected on a land technically identified as Block No. 3, Pcs-00-010863 with an area of 20,969 sq.m. The land is covered by TCT No. N-307600 issued in favor of **EMPIRE EAST LAND HOLDINGS, INC.** by the Registry of Deeds for Quezon City.

Terrain

2.8 The terrain of the land is flat. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment

2.9 This is an office building identified as "1880 Eastwood Avenue", described below:

1880 Eastwood Avenue –

This is a ten (10)-storey, reinforced concrete-framed, PEZA registered, Grade A office building provided with roof deck and five (5) basement parking levels. The first basement is a common level linking the building to Eastwood Mall and 1800 Eastwood Avenue. The building was completed sometime in 2007. It features a combination of Neoclassical and modern facades. The ground floor features a high-ceiling lobby. It also contains several retail stores ranging from coffee shops to fashion boutiques of foreign brands while from 2nd to 10th floors are mainly BPO companies and several traditional offices.

Architectural details and/or finishes of the building consist of mainly pre-cast concrete panel walls and glass curtain/panel at ground floor retail store fronts. The exterior also has granite tiles cladding on portion of beams and columns, glass panel windows and tempered glass double leaf swing-out entrance door. The interior finishes, meanwhile, consist of ceramic and granite tiles flooring on ground floor lobby and similarly on every elevator hallway, and epoxy paint and plain cement finish on basement floors; plastered cement concrete hollow block partitions with partly granite tiles cladding and acrylic panel walls on elevator hallways and lobby; Hardiflex board and plywood ceiling; and hollow core, tempered glass panel, steel louver and steel roll-up doors. Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements.

The building is provided with mechanical and electrical services such as lifts & elevators, air conditioning and ventilating system, standby power supply, electrical power and distribution system, domestic water supply system, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the information provided to us by the Client, the building has a total gross floor area of about 42,184.01 sq. m.

Note: Following instructions from the Client, the parking levels (basement) were excluded in this valuation.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 42,184.01 sq. m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Description	sq m
Ground Floor	Lobby and Retail	2,708.60
2nd Floor	Office	4,333.05
3rd Floor	Office	4,425.18
4th Floor	Office	4,425.18
5th Floor	Office	4,404.18
6th Floor	Office	4,400.08
7th Floor	Office	4,399.58
8th Floor	Office	4,400.08
9th Floor	Office	4,425.18
10th Floor	Office	4,262.90

	Total	42,184.01

Condition

Scope of Inspection 2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted. In fact, reportedly, there was a renovation made in 2020 covering the ground floor lobby. Apart from this, there is also an on-going construction of the comfort rooms near the ground floor elevator hallway.

Ground conditions

2.20 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.21 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are being processed thru the estate centralized Sewage Treatment Plant. Meanwhile, garbage collection, security, and service facilities and utilities within the complex premises are being maintained by Eastwood City Estate Association (ECEA).

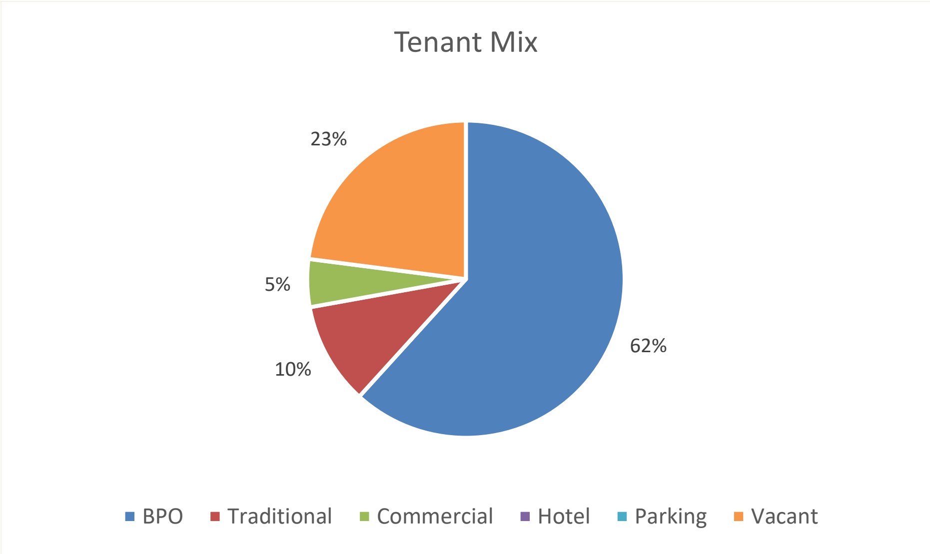
Tenancies

Tenancy Information

2.22 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

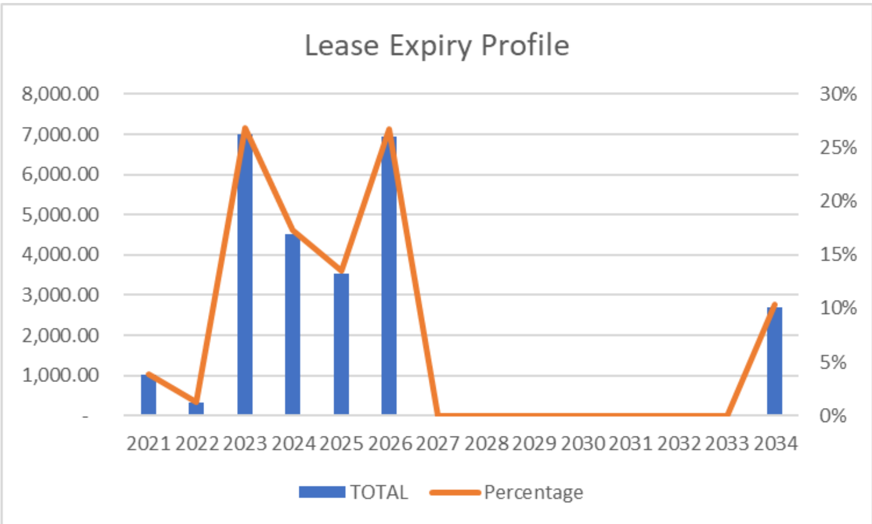
2.23 Based on the rent roll provided, total leasable area is **33,743.82** sq.m.

2.24 The Property currently has a mix of traditional offices, Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 62% of the Property's leasable area followed by traditional offices at 10%.



Source:SKF/MREIT

2.25 As of 31 March 2021, the Property is 77% occupied with a Weighted Average Lease Expiry (WALE) of 4.38 years. Some of the lease contracts are noted to expire in 2021, 2022, 2023, 2024, 2025, 2026 and 2034 based on the existing lease contracts.



Source:SKF/MREIT

Roadways and Access

Roadways 2.26 The road network within Eastwood City can accommodate light to moderate pedestrian and vehicular traffic loads and some are directly connected to Calle Industria and E. Rodriguez, Jr. Avenue. The roads range from 10 to 15 meters wide, mostly are concrete-paved and some have asphalt overlay, provided with cemented sidewalks, curbs and gutters, and underground drainage system.

Access 2.27 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.28 Being situated within a well-planned commercial business district, we have ascertained that the Property, notwithstanding the fact that it is near Marikina River, is not within an indicative floodplain and that there is therefore a minimal risk of flooding.

Contamination 2.29 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.30 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

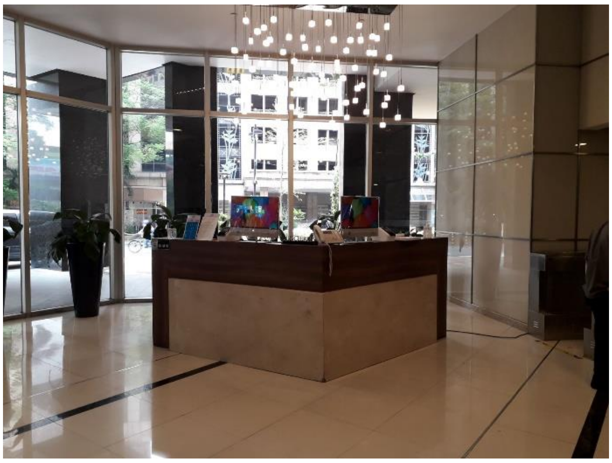
2.31 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.32 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

View along Eastwood Avenue

View from Eastwood Central Park



Ground Floor Lobby

2.33 Other photographs of the Property are attached at Appendix **4**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

nb	Country Code ISO Alpha 3	Country Name [1]	Classification: Previous	Classification: Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate	3.11	Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.
Capitalization Rate	3.12	A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows: Capitalization Rate = Discount Rate – Growth For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.
Key Financial Assumptions	3.13	We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 2%

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be at an average of approximately 5% of the Total Net Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following:

association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. General and admin expense forms part of other operating expenses.

These percentage allocations were from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the Property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value 3.14

a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%.
b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **5**.

Valuation basis

Market Value 3.15 Market Value is defined in the **2019 International Valuation Standards** as: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions	3.20	We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
	3.21	As instructed by the Client, Parking Levels are excluded in the valuation coverage. We have thus derived the Market Value of the Building using Income Approach by excluding the revenues the parking generates.
	3.22	In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market. Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Market Value

	3.23	Using the **Income Approach,** we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is: **PhP6,790,000,000 (SIX BILLION, SEVEN HUNDRED NINETY MILLION PHILIPPINE PESOS)**
Calculation	3.24	We attach a copy of our valuation calculations at Appendix **5**.

Note*: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.*

Value forwarded PhP6,790,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JESUS CONSTANCE M. CASTRO, CPV®
Associate Director
Licensed Real Estate Appraiser
PRC Reg. No. 423
Date Issued and Validity: 04/14/2011 - 12/22/2022
PTR No. 8533465 - 01/05/2021; Makati City
TIN 185-543-916

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the Property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the Property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the Property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the Property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the Property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised Property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the Property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

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Newmark Knight Frank Global

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client
Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation
The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term
This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

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4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82. SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940,20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

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8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

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c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates
Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology
In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

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All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required Information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

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l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

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Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

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22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL L. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ______________________

Noted by:

CELIA N. ROCAMORA
Operations Director

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Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the Client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the Client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering
We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios
Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches
We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens
We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities
No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information
We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued
We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries
Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations
19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance
Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age
Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition
Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions
Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues
24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.

Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information

In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence

Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases

Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

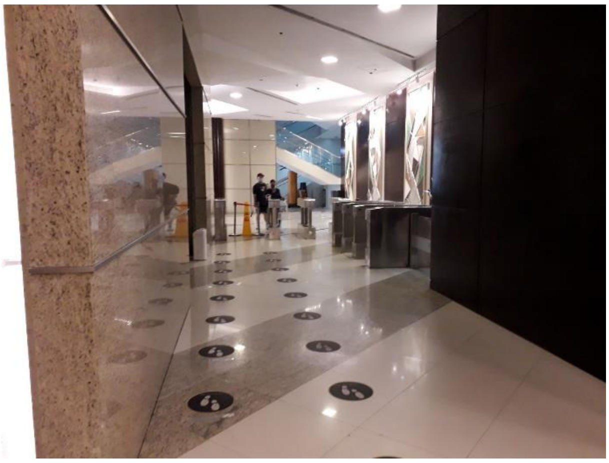
Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

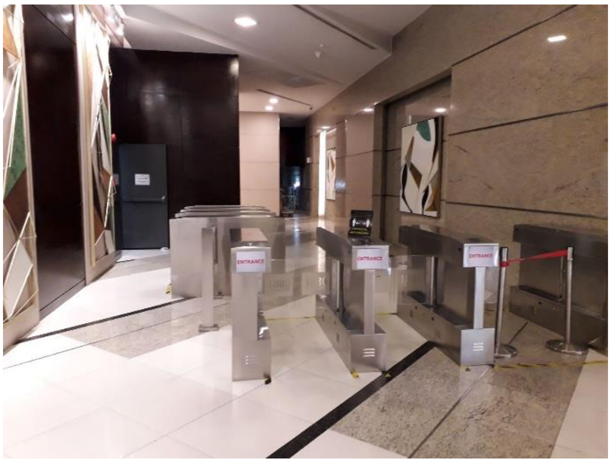
Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Photographs

LEASEHOLD IMPROVEMENTS

Exterior views of the building





The newly renovated lobby

Other views of the Property

BUILDING MACHINERY & EQUIPMENT

Appendix 5 - Valuation Calculation (Income Approach DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**1880 EASTWOOD AVENUE**
PROPERTY ADDRESS	:	188 E Rodriguez Jr., Ave., Eastwood City Cyberpark, Brgy. Bagumbayan, Quezon City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Gross Leasing Revenues		245,197,436	332,658,745	343,797,109	357,809,086	374,581,513	392,493,843	412,089,465	434,395,039	457,986,003	482,943,635	126,499,942	526,917,135
Less: Vacancy Allowance		12,259,872	6,653,175	6,875,942	7,156,182	7,491,630	7,849,877	8,241,789	8,687,901	9,159,720	9,658,873	2,529,999	10,538,343
Net Leasing Revenues		232,937,564	326,005,570	336,921,167	350,652,905	367,089,882	384,643,966	403,847,675	425,707,138	448,826,283	473,284,763	123,969,943	516,378,792
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		177,478	94,483	94,483	94,483	94,483	94,483	94,483	94,483	94,483	94,483	23,492	94,483
Real Property Taxes		-	-	-	-	-	-	-	-	-	-	-	-
Land Lease		-	-	4,211,515	8,766,323	13,765,871	19,232,198	20,192,384	21,285,357	22,441,314	23,664,238	6,198,497	25,818,940
Other Operating Expenses													
General and Admin Expense		2,329,376	3,260,056	3,369,212	3,506,529	3,670,899	3,846,440	4,038,477	4,257,071	4,488,263	4,732,848	1,239,699	5,163,788
TOTAL COSTS & EXPENSES		2,506,853	3,354,538	7,675,209	12,367,334	17,531,252	23,173,121	24,325,343	25,636,911	27,024,060	28,491,568	7,461,688	31,077,210
NET OPERATING INCOME		230,430,711	322,651,032	329,245,958	338,285,570	349,558,630	361,470,846	379,522,332	400,070,227	421,802,223	444,793,194	116,508,255	485,301,582
CAPEX		6,988,127	9,780,167	10,107,635	10,519,587	11,012,696	11,539,319	12,115,430	12,771,214	13,464,788	14,198,543	3,719,098	
NOI after CAPEX		223,442,584	312,870,865	319,138,323	327,765,983	338,545,934	349,931,527	367,406,902	387,299,013	408,337,434	430,594,651	112,789,157	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		209,432,917	269,040,476	251,770,568	237,226,599	224,797,050	213,171,715	205,337,051	198,582,010	192,081,797	185,827,142	47,643,359	
Total Present Worth of Cashflows		2,234,910,683											
Terminal Value of Property at 11Y	4.5%	10,784,479,604											
Discounted at	0.42	4,555,480,732											

TOTAL PROPERTY VALUE	**6,790,391,415**
Rounded to, say	**6,790,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.
Director

T 632.752.2580

F 632.752.2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA

Director

T 632.752.2580

F 632.752.2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

JESUS CONSTANCE M. CASTRO

Associate Director

T 632.752.2580

F 632.752. 2571

Jesus.Castro@santos.knightfrank.ph

Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas

PROFESSIONAL PROFILE

RONALDO D. DELFIN
Assistant Manager

T 632.752.2580
F 632.752.2571
Ronaldo.Delfin@santos.knightfrank.ph

Ronaldo D. Delfin is an Assistant Manager of Santos Knight Frank, Inc. under the Valuations Group, handling real estate valuation assignments of the Company.

Prior to joining Santos Knight Frank, Inc., Mr. Delfin was involved with several local appraisal companies like Sallmanns Phils., Inc., E-Value Phils., Inc. and Royal Asia Appraisal Corporation where he started as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Asst. Technical Manager – Real Estate Division at the time of his resignation with Sallmanns Phils. Inc. During his more than 20 years experience in his field, he had been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, steel, cement, transportation, food and beverages and telecommunications and had likewise gained an expansive experience in personnel management and development of client relations. He is now currently expanding his expertise and has been involved in business valuation and light machinery and equipment valuation assignments.

- Bachelor of Science in Civil Engineering, FEATI University
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)

Santosknightfrank.com

Valuation Report

Prepared for:

MREIT, INC.

2021-03-IA: One World Square -
10 Upper Mckinley Road, McKinley Hill
Barangay Pinagsama, Taguig City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	One World Square, 10 Upper McKinley Road, McKinley Hill, Barangay Pinasama, Taguig City, Metropolitan Manila, Philippines.		
Description	The Property comprises land (leasehold), leasehold improvements including building machinery & equipment of a site identified as "One World Square", a PEZA registered, Grade A office building located at the northwest corner Upper McKinley Road and Florence Way extending northward to North Road, some 90 meters southeast from Lawton Avenue or about 250 meters northwest from Venice Grand Canal Mall.		
Land Area	5,484 sq.m.		
Gross Floor Area	36,807.44 sq.m.	**Gross Leasable Area**	30,481.74 sq.m.
Occupancy	98%	**WALE**	3.59 years
Ave. Lease Rate	PhP992/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE **(Income Approach)**	**PhP8,018,000,000** **EIGHT BILLION, EIGHTEEN MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as **"One World Square"** located at **10 Upper McKinley Road,** within **McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We have neither present nor prospective interest on the Property subject of this valuation or the value reported, and we are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise

1.13 The valuation process was performed by **Fernando M. Jimenez III** and **Jacqueline T. Guerta**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting

1.14 This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection

1.15 We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Jacqueline T. Guerta** and **Fernando M. Jimenez III**. Valuation date, however, is **31 March 2021**.

1.16 The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

Investigations

1.17 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal and internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided

1.18 In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021**.

2 The Property

Location

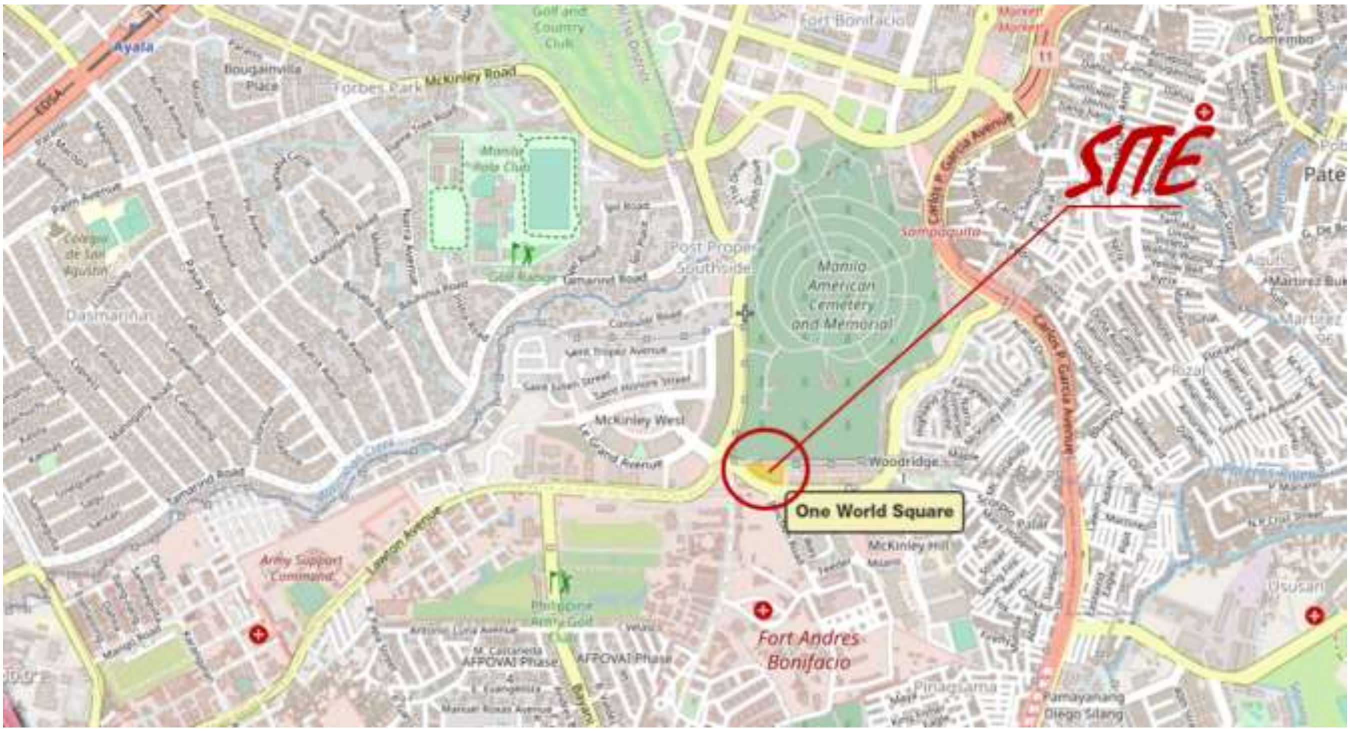
Address 2.1 The Property is identified as **"One World Square"**, an office building located at the northwest corner of Upper McKinley Road and Florence Way extending northward to North Road, within McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila.

The Property is situated some 90 meters southeast from Lawton Avenue or about 250 meters northwest from Venice Grand Canal Mall, around 1.1 kilometers southwest from the corner of Carlos P. Garcia Avenue (C-5 Road) and Upper McKinley Road, roughly 1.4 kilometers south from Bonifacio Global City and approximately 4.1 kilometers northwest from Taguig City Hall.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.

Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood 2.3 The Property is situated within McKinley Hill, a 50-hectare high-end township in Fort Bonifacio developed by Megaworld Corporation. The Italian-inspired township is home to the Venice Grand Canal Mall, a Megaworld Lifestyle Mall known for its design and architecture and is popularly considered as the "most romantic mall" in the country. The bustling township also has foreign embassies, international schools, commercial strips, lifestyle malls, condominium clusters, BPO-IT office towers, and the Emperador Stadium (McKinley Hill Stadium).

Generally, the streets in the neighbourhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Main thoroughfares and side roads are asphalted and concreted, with widths ranging from 8 to 20 meters and lighted with street lamps.

Some of the notable developments in the area include The Venice Luxury Residences, McKinley Hill Village, Tuscany Private Estate, Chinese International School Manila, Venice Grand Canal Mall, McKinley West Village, Manila American Cemetery and Memorial and Philippine Army National Headquarters Compound, amongst others.

Accessibility 2.4 The Property fronts Upper McKinley Road, an arterial road that connects to Lawton Avenue on the northwest and to Carlos P. Garcia Avenue (C-5 Road) on the northeast, providing excellent access to other major sections of the metropolis. Public transport like jeepneys and taxicabs are available throughout the day along the nearby Lawton Avenue.

Other community centers like post office, churches, hospitals, and public and private schools are likewise accessible from the Property.

Land Details

Contract of Lease

2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, INC. (formerly Megaworld Holdings, Inc.)**, as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 5,484-sqm land identified as Lot 1, Pcs-00-012027 covered by Transfer Certificate of Title No. 1499-P, located in Barangay Pinagsama, Taguig City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;

- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title 2.7 Based on documents provided to us by the Client, "One World Square" is erected on a land technically identified as **Lot 1**, **Pcs-00-012027** with an area of 5,484 sq.m. The land is covered by TCT No. 1499-P issued in favor of **MEGAWORLD CORPORATION** on February 23, 2007 by the Registry of Deeds for Taguig City.

Terrain 2.8 The terrain of the land is generally flat but sloping upwards towards the northwest direction going to Lawton Avenue. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment 2.9 This is an office building identified as "One World Square", described below:

One World Square –
One World Square is a PEZA-registered, Grade A reinforced concrete-framed office building that consists of three (3) towers, namely; Tower A – that is six (6)-storey with deck; Tower B – that is eight (8)-storey with deck; and Tower C – that is eleven (11)-storey with deck. The building was reportedly completed in 2007 and provided with one (1) basement. The ground floor houses the main lobby and various retail establishments such as restaurants, coffee shops and banks, amongst others. The basement primarily serves as parking area while the rest of the upper floors are utilized mainly as offices. Notable occupants on the ground floor include McDonald's, Dunkin Donuts, The Sandwich Guy, Starbucks and Bank of the Philippine Islands (BPI), while tenants at the upper floors, meanwhile, include Suntrust Properties, Ericsson Telecommunications, CGI Philippines, Access Healthcare, and Anthem Solutions, Inc.

Architectural details and/or finishes of the building consist of reinforced concrete footings and foundations, reinforced concrete floor slabs at all levels, reinforced concrete columns, girders and beams construction. External finishes consist of mainly aluminum panels with curtain wall of clear and solar reflective glass, and concrete hollow block walls of plastered cement / painted finish. Interior finishes comprise granite, marble and ceramic tiles finishes for the main and elevator lobbies, acoustic board on T-runner and plasterboard lined ceilings with recessed fluorescent lighting and glass panel and metal doors. Typical standard office floors have plastered cement finish walls and columns, plasterboard and painted walls. Machine and Pump Rooms consist of plain concrete cement with epoxy paint finish and metal door.

Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements. Fit-outs introduced typically comprise of a combination of raised flooring, wall-to-wall carpet, ceramic or vinyl tile coverings, suspended tile or plasterboard lined ceilings with recessed fluorescent lighting. Moreover, tenants who opted to rent whole floors can have direct access on all three (3) towers, while floor levels with different tenants are walled-off from each tower of the building.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, standby power supply, electrical power and distribution system, domestic water supply system, overhead water tank, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 36,807.44 sq.m.

Note: Following instructions from the Client, the parking level (basement) was excluded in this valuation.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 36,807.44 sq. m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Description	Sq.m.
Ground Floor	Commercial Spaces & Retail Units	4,466.49
2nd Floor	Office Units	5,571.52
3rd Floor	Office Units	6,187.36
4th Floor	Office Units	6,120.77
5th Floor	Office Units	5,697.10
6th Floor	Office Units	2,720.55
7th Floor	Office Units	2,684.33
8th Floor	Office Units	842.85
9th Floor	Office Units	891.15
10th Floor	Office Units	812.66
11th Floor	Office Units	812.66

	Total	**36,807.44**

Condition

Scope of Inspection

2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

2.20 Based on our inspection and understanding of the Property boundaries, a portion of the building has encroached on the lot at the northwest boundary. However, as stated in the General Terms of Business attached, we have not undertaken a building or site survey of the Property. We therefore recommend that a site survey be conducted to verify if there was an encroachment. For this valuation purposes however, we have the valued the Property with no consideration on the effect of the possible encroachment.

Ground conditions

2.21 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.22 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the building's sewerage system.

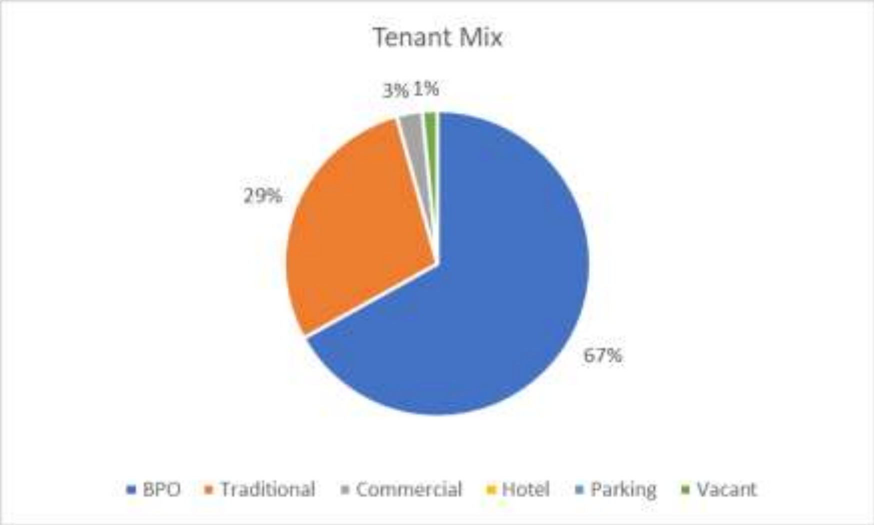
Tenancies

Tenancy Information

2.23 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

2.24 Based on the rent roll provided, total leasable area is **30,481.74** sq.m.

2.25 The Property currently has a mix of traditional offices, Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 67% of the Property's leasable area followed by traditional offices at 29% and commercial tenants at 3%.



Source: SKF/MREIT

2.26 As of 31 March 2021, the Property is about 98% occupied with a Weighted Average Lease Expiry (WALE) of 3.59 years. It has been noted that a sizeable area will expire in the years 2021, 2023 and 2029 with 27%, 32% and 34% of leased area respectively.

Source: SKF/MREIT

Roadways and Access

Roadways 2.27 Actual inspection and as shown on a copy of Master Development Plan provided to us, the Property in its entirety enjoys frontages along Upper McKinley Road, Florence Way and Service Road - 1, now North Road. A copy of the said Master Development Plan is attached herewith as Appendix **4**.

Upper McKinley Road is about 16 meters wide, asphalt-paved, while Florence Way is about 8 meters wide and North Road is about 12 to 15 meters wide, both concrete-paved. All roads are provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access 2.28 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.29 From our enquiries with the **DOST-UP and Phil-LiDAR Program (City of Taguig, Metropolitan Manila 5-Year Flood Hazard Map)**, and also due to its terrain, we have ascertained that the Property is not within an indicative floodplain and that there is therefore a **negligible** risk of flooding.

Contamination 2.30 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.31 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.32 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.33 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs


Outside Views of the Property


Building Lobby and Hallway

2.34 Other photographs of the Property are attached at Appendix **5**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 - the valuation date, was used for this valuation exercise (image shown below).

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

	Classification				
nb	Country Code ISO Alpha 3	Country Name [1]	Previous	Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate 3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate 3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions 3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 5% of the Total Net Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. General and admin expense on the other hand is under other

These percentage allocations were from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the Property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value 3.14

a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%.
b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **6**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as:
"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions

3.20 We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 As instructed by the Client, Parking Level is excluded in the valuation coverage. We have thus derived the Market Value of the Building using Income Approach by excluding the revenues the parking generates.

3.22 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Market Value

3.23 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP8,018,000,000 (EIGHT BILLION, EIGHTEEN MILLION PHILIPPINE PESOS).

Calculation

3.24 We attach a copy of our valuation calculations at Appendix **6**.

Note: *The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.*

Value forwarded PhP8,018,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

FERNANDO M. JIMENEZ III, CPV®
Manager
Licensed Real Estate Appraiser
PRC Reg. No. 1347
Date Issued and Validity: 08/16/2011 - 02/01/2023
PTR No. MLA-9853770 - 01/14/2021; City of Manila
TIN 185-958-494

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the Property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the Property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the Property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the Property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the Property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the Property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised Property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the Property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client
Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation
The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term
This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82. SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940,20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

All title and intellectual property rights in and to any licensed content provided is the property of the respective content owner and may be protected by applicable copyright or other intellectual property laws and treaties and subject to use restrictions under such laws and treaties.

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8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates

Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology

In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required Information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

Santos Knight Frank

l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

All title and intellectual property rights in and to any licensed content provided is the property of the respective content owner and may be protected by applicable copyright or other intellectual property laws and treaties and subject to use restrictions under such laws and treaties.

Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ____________________

Noted by:

CELIA N. ROCAMORA
Operations Director

Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering

We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios

Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches

We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens

We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities

No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information

We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued

We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries

Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations

19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance

Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age

Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition

Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions

Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues

24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.

Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information

In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence

Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases

Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

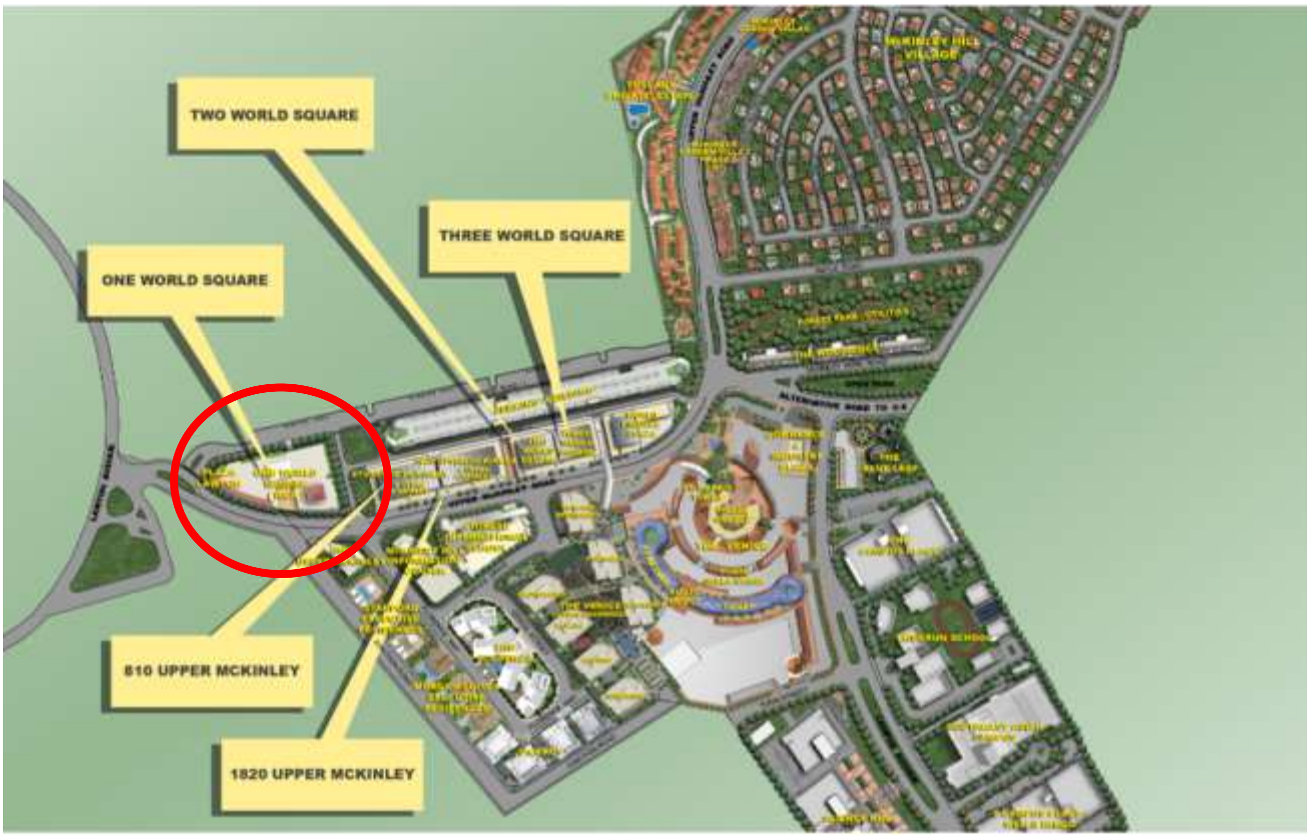
<u>Important Notice</u>

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

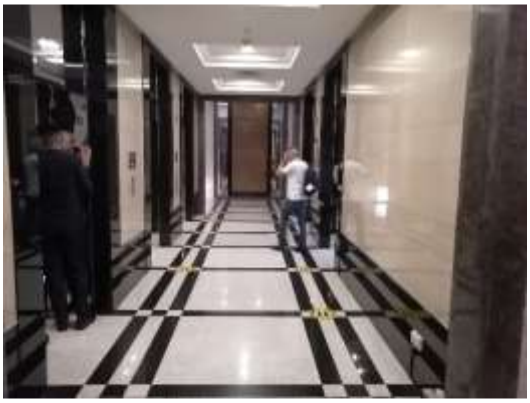
Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Master Development Plan



Appendix 5 - Photographs

Lobby



Passenger Elevator

Admin. Office

Hallway

View from deck

Toilet

Air Conditioning Units

Ventilating Units

Overhead Water Tanks

Machine Room

Stand-by Generating Set

Main Transformer

Firefighting and Water Distribution Equipment

Basement

Appendix 6 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**ONE WORLD SQUARE**
PROPERTY ADDRESS	:	Upper McKinley Road corner Florence Way corner North Road, , McKinley Hill, Brgy. Pinagsama, Taguig City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		272,618,039	376,153,324	395,049,378	411,298,422	433,030,835	455,311,202	480,981,735	508,431,432	537,593,673	568,588,095	148,311,859	623,757,602
Less: Vacancy Allowance		4,089,271	3,761,533	3,950,494	4,112,984	4,330,308	4,553,112	4,809,817	5,084,314	5,375,937	5,685,881	1,483,119	6,237,576
Net Leasing Revenues		268,528,769	372,391,791	391,098,884	407,185,438	428,700,527	450,758,090	476,171,918	503,347,117	532,217,737	562,902,214	146,828,740	617,520,026
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		577,154	512,093	512,093	512,093	512,093	512,093	512,093	512,093	512,093	512,093	31,657	512,093
Real Property Taxes		1,618,016	2,153,433	2,153,433	2,153,433	2,153,433	2,153,433	2,153,433	2,153,433	2,153,433	2,153,433	535,416	2,153,433
Land Lease		-	-	4,888,736	10,179,636	16,076,270	22,537,905	23,808,596	25,167,356	26,610,887	28,145,111	7,341,437	30,876,001
Other Operating Expenses													
General and Admin Expense		2,685,288	3,723,918	3,910,989	4,071,854	4,287,005	4,507,581	4,761,719	5,033,471	5,322,177	5,629,022	1,468,287	6,175,200
TOTAL COSTS & EXPENSES		4,880,458	6,389,444	11,465,251	16,917,016	23,028,801	29,711,011	31,235,841	32,866,353	34,598,590	36,439,659	9,376,798	39,716,728
NET OPERATING INCOME		263,648,310	366,002,347	379,633,633	390,268,422	405,671,726	421,047,079	444,936,077	470,480,764	497,619,147	526,462,555	137,451,942	577,803,299
CAPEX		8,055,863	11,171,754	11,732,967	12,215,563	12,861,016	13,522,743	14,285,158	15,100,414	15,966,532	16,887,066	4,404,862	
NOI after CAPEX		255,592,447	354,830,594	367,900,667	378,052,858	392,810,710	407,524,336	430,650,919	455,380,351	481,652,614	509,575,488	133,047,080	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		239,567,011	305,122,024	290,239,540	273,622,641	260,829,270	248,256,173	240,682,985	233,489,739	226,569,234	219,912,059	56,200,525	
Total Present Worth of Cashflows		2,594,491,199											
Terminal Value of Property at 11Y	4.5%	12,840,073,304											
Discounted at	0.42	5,423,785,725											

TOTAL PROPERTY VALUE	**8,018,276,924**
Rounded to, say	**8,018,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.
Director

T: +632 7752 2580

F: +632 7752 2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA

Director

T: +632 7752 2580

F: +632 7752 2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

FERNANDO M. JIMENEZ III
Manager

T: +632 7752 2580

F: +632 7752 2571

Fernando.Jimenez@santos.knightfrank.ph

Fernando M. Jimenez III is a Manager under the Valuations and Advisory Group of Santos Knight Frank, Inc. He is mainly responsible for assisting in the overseeing of the Valuation Group – Mortgage Unit, performs appraisal work himself as instructed, conducts review of appraisal reports and ensure that Valuation Standards as well as Company policies are maintained in every Appraisal Report that the Company produces. He also monitors the Team's performance for timely delivery of reports and sees to it that client expectations are consistently met. He is a Licensed Real Estate Appraiser with vast experience in property appraisal.

Prior to joining Santos Knight Frank, Inc., Fernan was connected with Pinnacle Real Estate Consulting Services, Inc. as Associate Director of Property Appraisal Department, where he assisted in the day-to-day operations of the Team including proper implementation of the Department's planned objectives and policies. He has been in the appraisal industry for about 20 years now and started his career in appraisal with China Banking Corporation, where he last served as a Supervisor for the Appraisal Department handling various branch accounts and ROPA accounts. He is adept in the appraisal process and has been consistent in providing reliable reports.

- Licensed Real Estate Appraiser, PRC Reg. No. 1347
- Member, Philippine Association of Realty Appraisers, Inc. (PARA)
- Former Member, Phil. Institute of Real Estate Practitioners, Inc. (PHILRES)
- Former Member, Institute of Philippine Real Estate Appraisers, Inc. (IPREA)
- Bachelor of Arts in Sociology, University of Santo Tomas

Santosknightfrank.com

Valuation Report

Prepared for:

MREIT, INC.

2021-04-IA: Two World Square -
Upper McKinley Road, McKinley Hill
Barangay Pinagsama, Taguig City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	Two World Square, Upper McKinley Road, McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines.		
Description	The Property comprises land (leasehold), leasehold improvements including building machinery & equipment of a site identified as “Two World Square”, a PEZA registered, Grade A office building located on the north side of Upper McKinley Road extending northward to McKinley Park Road, being across and north of Venice Luxury Residences and Venice Grand Canal Mall or some 440 meters southeast from Lawton Avenue.		
Land Area	1,520 sq.m.		
Gross Floor Area	26,632.67 sq.m.	**Gross Leasable Area**	21,286.40 sq.m.
Occupancy	94%	**WALE**	2.57 years
Ave. Lease Rate	PhP1,012/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE **(Income Approach)**	**PhP5,501,000,000** **FIVE BILLION, FIVE HUNDRED ONE MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as **"Two World Square"** located along **Upper McKinley Road,** within **McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manilla, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We have neither present nor prospective interest on the Property subject of this valuation or the value reported, and we are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise

1.13 The valuation process was performed by **Fernando M. Jimenez III** and **Jacqueline T. Guerta**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting

1.14 This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection

1.15 We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Jacqueline T. Guerta** and **Fernando M. Jimenez III**. Valuation date, however, is **31 March 2021**.

1.16 The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

Investigations

1.17 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal and internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided

1.18 In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021**.

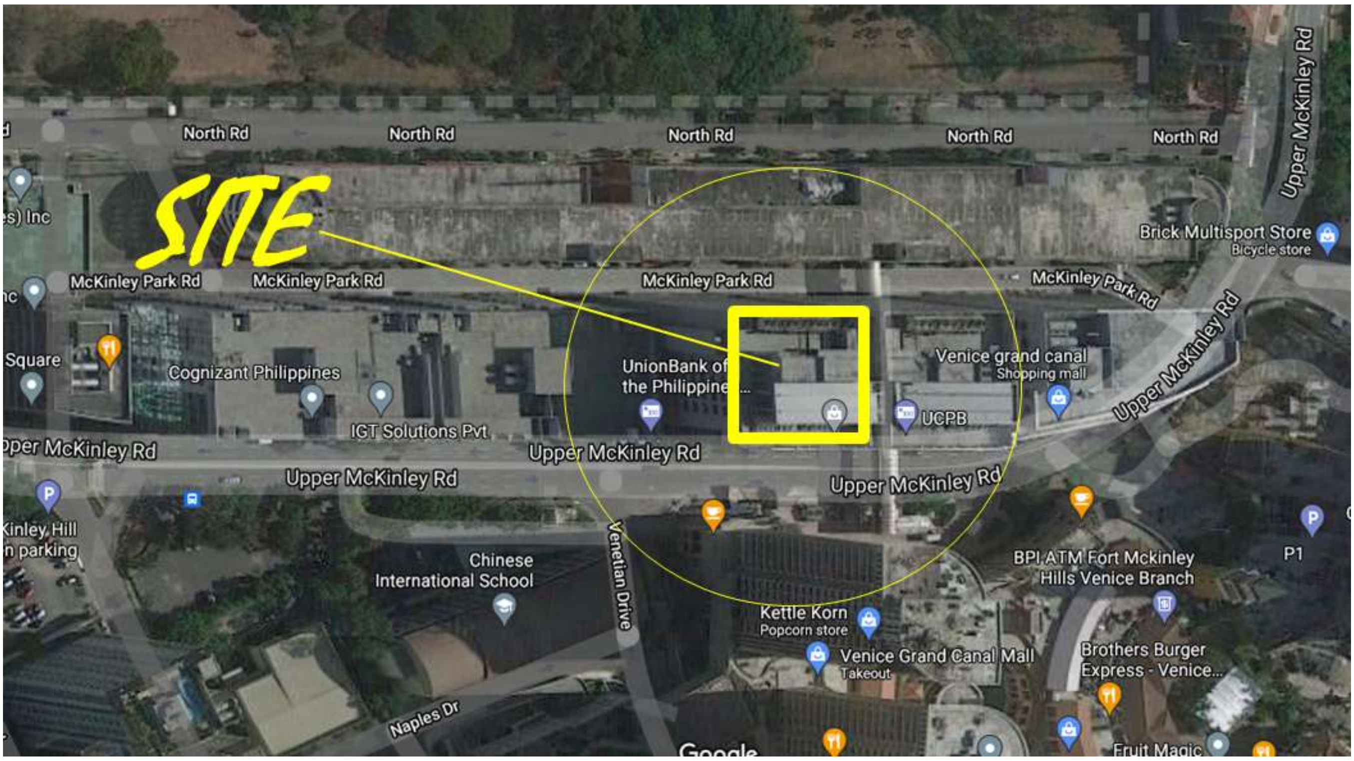
2 The Property

Location

Address 2.1 The Property is identified as **"Two World Square"**, an office building located along the north side of Upper McKinley Road extending northward to McKinley Park Road, within McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila.

The Property is just across and north of the Venice Luxury Residences and Venice Grand Canal Mall or some 440 meters southeast from Lawton Avenue, around 840 meters southwest from the corner of Carlos P. Garcia Avenue (C-5 Road) and Upper McKinley Road, roughly 1.9 kilometers south from Bonifacio Global City and approximately 3.85 kilometers northwest from Taguig City Hall.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.



Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.

Neighborhood

2.3 The Property is situated within McKinley Hill, a 50-hectare high-end township in Fort Bonifacio developed by Megaworld Corporation. The Italian-inspired township is home to the Venice Grand Canal Mall, a Megaworld Lifestyle Mall known for its design and architecture and is popularly considered as the "most romantic mall" in the country. The bustling township also has foreign embassies, international schools, commercial strips, lifestyle malls, condominium clusters, BPO-IT office towers, and the Emperador Stadium (McKinley Hill Stadium).

Generally, the streets in the neighbourhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Main thoroughfares and side roads are asphalted and concreted, with widths ranging from 8 to 20 meters and lighted with street lamps.

Some of the notable developments in the area include The Venice Luxury Residences, McKinley Hill Village, Tuscany Private Estate, Chinese International School Manila, Venice Grand Canal Mall, McKinley West Village, Manila American Cemetery and Memorial and Philippine Army National Headquarters Compound, amongst others.

Accessibility

2.4 The Property fronts Upper McKinley Road, an arterial road that connects to Lawton Avenue on the northwest and to Carlos P. Garcia Avenue (C-5 Road) on the northeast, providing excellent access to other major sections of the metropolis. Public transport like jeepneys and taxicabs are available throughout the day along the fronting Lawton Avenue.

Other community centers like post office, churches, hospitals, and public and private schools are likewise accessible from the Property.

Land Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, INC. (formerly Megaworld Holdings, Inc.)**, as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 1,520-sqm portion of Lot No. 4, Pcs-00-012027 covered by Transfer Certificate of Title No. 1502-P located in Barangay Pinagsama, Taguig City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;

- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title 2.7 Based on documents provided to us by the Client, "Two World Square" is erected on a portion of the land technically identified as **Lot 4**, **Pcs-00-012027** with an area of 5,203 sq.m. The land is covered by TCT No. 1502-P issued in favor of **MEGAWORLD CORPORATION** on February 23, 2007 by the Registry of Deeds for Taguig City.

Terrain 2.8 The terrain of the land is flat. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment 2.9 This is an office building identified as "Two World Square", described below:

Two World Square –
Two World Square is a sixteen (16)-storey, PEZA-registered, Grade A, reinforced concrete-framed office building with roofdeck. The building was reportedly completed in 2008, and is divided into two (2) zones; the Low Zone (2nd to 8th Floors) and the High Zone (9th to 16th Floors). The ground floor houses the main lobby and some commercial spaces occupied by various banks, while the rest of the upper floors are utilized mainly as offices. The building has no parking area, though a parking building, which is not included in our valuation, is situated across the back portion of the Property. Further, the building is inter-connected with Three World Square, an office building on the east boundary of the Property.

Architectural details and/or finishes of the building consist of reinforced concrete footings and foundations, reinforced concrete floor slabs at all levels, reinforced concrete columns, girders and beams construction. External finishes consist of mainly aluminum panels with curtain wall of clear and solar reflective glass. Interior finishes comprise granite, marble and ceramic tiles finishes for the main and elevator lobbies, acoustic board on T-runner and plasterboard lined ceilings with recessed fluorescent lighting, and glass panel and metal doors. Typical standard office floors have plastered cement finish walls and columns, plasterboard and painted walls. Machine and Pump Rooms consist of plain concrete cement with epoxy paint finish and metal door.

Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements. Fit-outs introduced typically comprise of a combination of raised flooring, wall-to-wall carpet, ceramic or vinyl tile coverings, suspended tile or plasterboard lined ceilings with recessed fluorescent lighting. Moreover, tenants who opted to rent whole floors on both Two World Square and Three World Square can have direct access on both buildings, while floor levels with different tenants are walled-off from each of the said buildings.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, cooling tower, standby power supply, electrical power and distribution system, domestic water supply system, overhead water tank, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 26,632.67 sq.m.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 26,632.67 sq.m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Description	Sq.m.
Ground Floor	Commercial Spaces & Retail Units	511.72
2nd Floor	Office Units	1,563.95
3rd Floor	Office Units	1,889
4th Floor	Office Units	1,889
5th Floor	Office Units	1,889
6th Floor	Office Units	1,889
7th Floor	Office Units	1,889
8th Floor	Office Units	1,889
9th Floor	Office Units	1,889
10th Floor	Office Units	1,889
11th Floor	Office Units	1,889
12th Floor	Office Units	1,889
14th Floor	Office Units	1,889
15th Floor	Office Units	1,889
16th Floor	Office Units	1,889

	Total	**26,632.67**

Condition

Scope of Inspection

2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

Ground conditions

2.20 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.21 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the building's sewerage system.

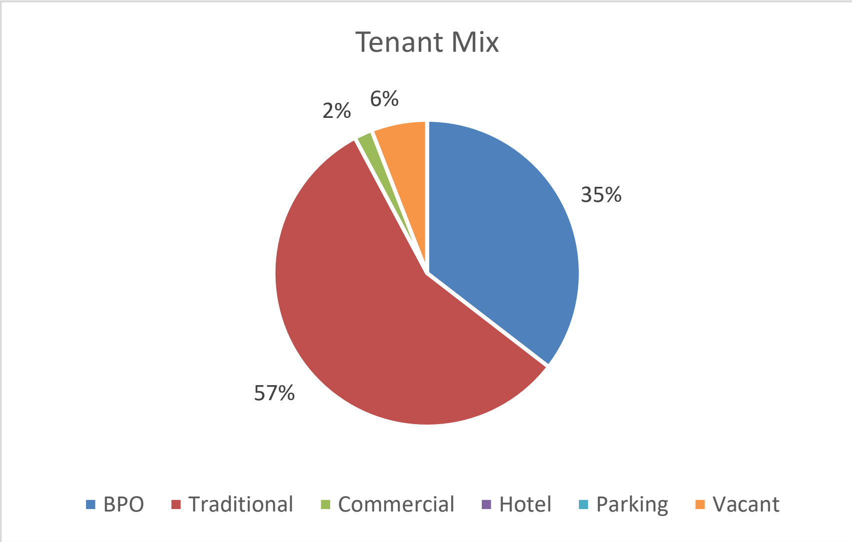
Tenancies

Tenancy Information

2.22 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

2.23 Based on the rent roll provided, total leasable area is **21,286.40** sq.m.

2.24 The Property currently has a mix of traditional offices, Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 35% of the Property's leasable area followed by traditional offices at 57% and commercial tenants at 2%.



Source: SKF/MREIT

2.25 As of 31 March 2021, the Property is about 94% occupied with a Weighted Average Lease Expiry (WALE) of 2.57 years. It has been noted that a sizeable area will expire in the years 2022, 2023, 2024 and 2025 with 11%, 58%, 10% and 19% of leased area respectively.

Source:SKF/MREIT

Roadways and Access

Roadways 2.26 Actual inspection and as shown on a copy of Master Development Plan provided to us, the Property in its entirety enjoys frontages along Upper McKinley Road and Service Road – 2, now McKinley Park Road. A copy of the said Master Development Plan is attached herewith as Appendix **4**.

Upper McKinley Road is about 16 meters wide, asphalt-paved, while McKinley Park Road is about 10 meters wide, both concrete-paved. All roads are provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access 2.27 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.28 From our enquiries with the **DOST-UP and Phil-LiDAR Program (City of Taguig, Metropolitan Manila 5-Year Flood Hazard Map)**, and also due to its terrain, we have ascertained that the Property is not within an indicative floodplain and that there is therefore a **minimal** risk of flooding.

Contamination 2.29 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.30 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.31 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.32 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

Outside Views of the Property

Building / Elevator Lobby

2.33 Other photographs of the Property are attached at Appendix **5**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR		
Where	**Variable**	**Proxy Statistic**
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

			Classification		
nb	Country Code ISO Alpha 3	Country Name [1]	Previous	Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate

3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate

3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions

3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 6% of the Net Leasing Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. Other operating expenses on the other hand are as follows: general and admin expense.

These percentage allocations were from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value 3.14

a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%.
b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **6**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions 3.20 We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Market Value

3.22 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP5,501,000,000 (FIVE BILLION, FIVE HUNDRED ONE MILLION PHILIPPINE PESOS).

Calculation 3.23 We attach a copy of our valuation calculations at Appendix **6**.

***Note**: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.*

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

FERNANDO M. JIMENEZ III, CPV®
Manager
Licensed Real Estate Appraiser
PRC Reg. No. 1347
Date Issued and Validity: 08/16/2011 - 02/01/2023
PTR No. MLA-9853770 - 01/14/2021; City of Manila
TIN 185-958-494

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

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Newmark Knight Frank Global

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client
Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation
The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term
This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

Proposal for Valuation Services: MREIT, INC.
20 May 2021

Our Ref: L21-0520-157R
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4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940.20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

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8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset's that are relevant to the purpose of the appraisal;

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates
Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology

In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required Information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ______________________

Noted by:

CELIA N. ROCAMORA
Operations Director

Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering
We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios
Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches
We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens
We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities
No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information
We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued
We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries
Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations
19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance
Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age
Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition
Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions
Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues
24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.
Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security
Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information
In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments
A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence
Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases
Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

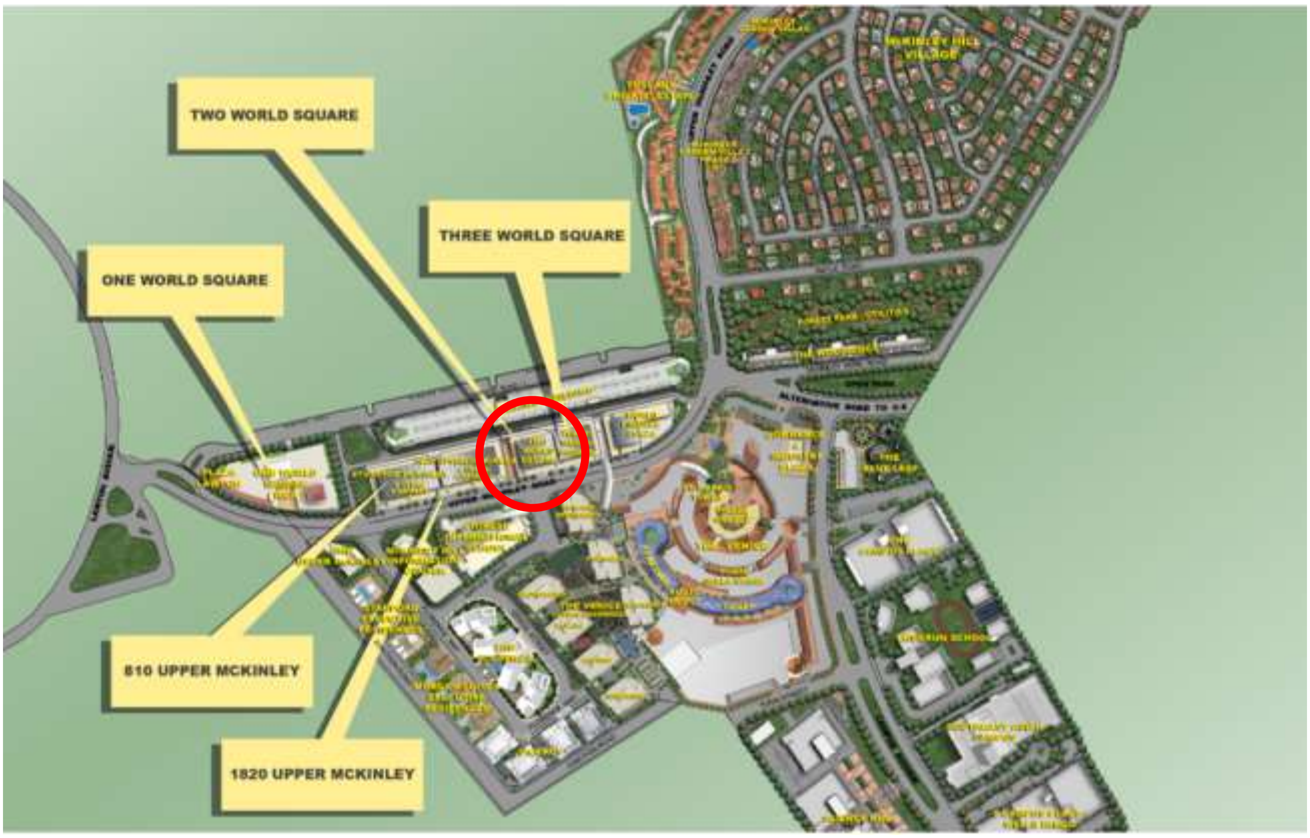
<u>Important Notice</u>

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Master Development Plan



Appendix 5 - Photographs

Exterior views of Two World Square

Exterior views

Ground floor / Lobby

Santos | Knight Frank

Passenger Elevators

Office Space

Air Conditioning Units / Cooling Tower

Ventilating Units

Overhead Water Tanks

Machine Room

Firefighting and Water Distribution Equipment

Appendix 6 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**TWO WORLD SQUARE**
PROPERTY ADDRESS	:	Upper McKinley Road, McKinley Hill, Brgy. Pinagsama, Taguig City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		194,310,450	268,898,513	280,736,717	291,438,821	305,815,964	321,446,487	338,115,902	356,331,047	375,747,396	396,294,542	102,889,409	428,516,900
Less: Vacancy Allowance		3,886,209	2,688,985	2,807,367	2,914,388	3,058,160	3,214,465	3,381,159	3,563,310	3,757,474	3,962,945	1,028,894	4,285,169
Net Leasing Revenues		190,424,241	266,209,527	277,929,350	288,524,433	302,757,805	318,232,022	334,734,743	352,767,736	371,989,922	392,331,597	101,860,515	424,231,731
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		537,394	357,612	357,612	357,612	357,612	357,612	357,612	357,612	357,612	357,612	88,914	357,612
Real Property Taxes		3,781,509	5,032,845	5,032,845	5,032,845	5,032,845	5,032,845	5,032,845	5,032,845	5,032,845	5,032,845	1,251,336	5,032,845
Land Lease		-	-	3,474,117	7,213,111	11,353,418	15,911,601	16,736,737	17,638,387	18,599,496	19,616,580	5,093,026	21,211,587
Other Operating Expenses													
General and Admin Expense		1,904,242	2,662,095	2,779,294	2,885,244	3,027,578	3,182,320	3,347,347	3,527,677	3,719,899	3,923,316	1,018,605	4,242,317
TOTAL COSTS & EXPENSES		6,223,146	8,052,552	11,643,867	15,488,812	19,771,452	24,484,378	25,474,541	26,556,521	27,709,852	28,930,352	7,451,881	30,844,360
NET OPERATING INCOME		184,201,095	258,156,976	266,285,483	273,035,621	282,986,353	293,747,644	309,260,202	326,211,216	344,280,070	363,401,245	94,408,634	393,387,370
CAPEX		5,712,727	7,986,286	8,337,881	8,655,733	9,082,734	9,546,961	10,042,042	10,583,032	11,159,698	11,769,948	3,055,815	
NOI after CAPEX		178,488,368	250,170,690	257,947,603	264,379,888	273,903,618	284,200,684	299,218,160	315,628,184	333,120,373	351,631,297	91,352,819	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		167,297,293	215,124,030	203,496,760	191,349,758	181,874,066	173,129,720	167,227,600	161,833,821	156,699,715	151,749,769	38,588,418	
Total Present Worth of Cashflows		1,808,370,950											
Terminal Value of Property at 11Y	4.5%	8,741,941,561											
Discounted at	0.42	3,692,690,589											

TOTAL PROPERTY VALUE	**5,501,061,539**
Rounded to, say	**5,501,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.
Director

T: +632 7752 2580

F: +632 7752 2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA
Director

T: +632 7752 2580

F: +632 7752 2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

FERNANDO M. JIMENEZ III
Manager

T: +632 7752 2580

F: +632 7752 2571

Fernando.Jimenez@santos.knightfrank.ph

Fernando M. Jimenez III is a Manager under the Valuations and Advisory Group of Santos Knight Frank, Inc. He is mainly responsible for assisting in the overseeing of the Valuation Group – Mortgage Unit, performs appraisal work himself as instructed, conducts review of appraisal reports and ensure that Valuation Standards as well as Company policies are maintained in every Appraisal Report that the Company produces. He also monitors the Team's performance for timely delivery of reports and sees to it that client expectations are consistently met. He is a Licensed Real Estate Appraiser with vast experience in property appraisal.

Prior to joining Santos Knight Frank, Inc., Fernan was connected with Pinnacle Real Estate Consulting Services, Inc. as Associate Director of Property Appraisal Department, where he assisted in the day-to-day operations of the Team including proper implementation of the Department's planned objectives and policies. He has been in the appraisal industry for about 20 years now and started his career in appraisal with China Banking Corporation, where he last served as a Supervisor for the Appraisal Department handling various branch accounts and ROPA accounts. He is adept in the appraisal process and has been consistent in providing reliable reports.

- Licensed Real Estate Appraiser, PRC Reg. No. 1347
- Member, Philippine Association of Realty Appraisers, Inc. (PARA)
- Former Member, Phil. Institute of Real Estate Practitioners, Inc. (PHILRES)
- Former Member, Institute of Philippine Real Estate Appraisers, Inc. (IPREA)
- Bachelor of Arts in Sociology, University of Santo Tomas

Valuation Report

Prepared for:

MREIT, INC.

2021-05-IA: Three World Square -
Upper McKinley Road, McKinley Hill
Barangay Pinagsama, Taguig City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	Three World Square, Upper McKinley Road, McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines.		
Description	The Property comprises <u>land (leasehold), leasehold improvements including building machinery & equipment</u> of a site identified as "Three World Square", a PEZA registered, Grade A office building located on the north side of Upper McKinley Road extending northward to McKinley Park Road, being across and north of Venice Luxury Residences and Venice Grand Canal Mall or some 480 meters southeast from Lawton Avenue.		
Land Area	1,520 sq.m.		
Gross Floor Area	26,628.44 sq.m.	**Gross Leasable Area**	21,216.63 sq.m.
Occupancy	99.7%	**WALE**	3.15 years
Ave. Lease Rate	PhP948/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE **(Income Approach)**	**<u>PhP5,190,000,000</u>** **FIVE BILLION, ONE HUNDRED NINETY MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as **"Three World Square"** located along **Upper McKinley Road,** within **McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manilla, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We have neither present nor prospective interest on the Property subject of this valuation or the value reported, and we are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

	1.12	The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.
Expertise	1.13	The valuation process was performed by **Criselda Dianne Coronacion**, under the supervision of **Jacqueline T. Guerta** and **Fernando Jimenez III**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
Vetting	1.14	This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection	1.15	We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Criselda Dianne Coronacion**. Valuation date, however, is **31 March 2021**.
	1.16	The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
Investigations	1.17	The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal and internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.
Information provided	1.18	In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following: • Vicinity Maps, Floor Plans and Floor Area Tabulations • Building Profile • Lease Contracts/Revised Lease Payment/Deed of Assignment • Rent Roll • Financial Statements • Projections • Historical and Current Occupancy
	1.19	In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021**.

2 The Property

Location

Address

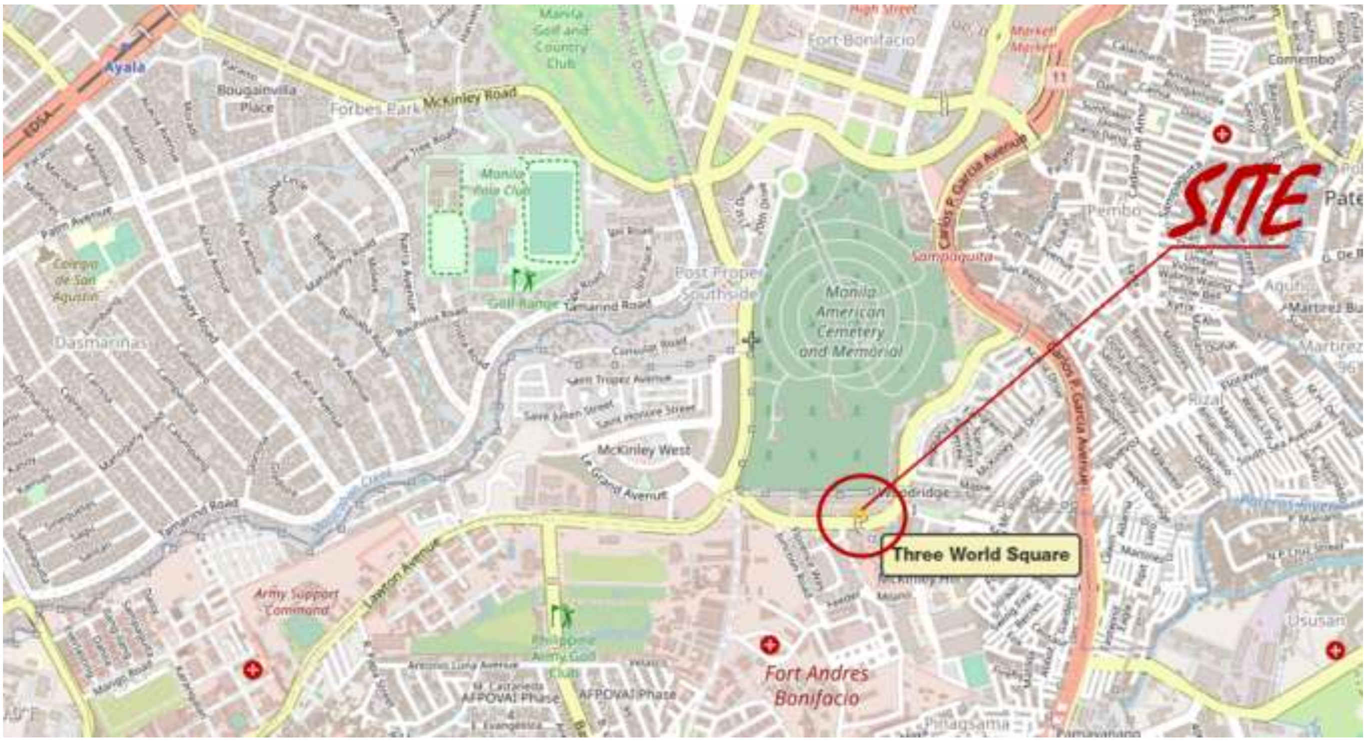
2.1 The Property is identified as **"Three World Square"**, an office building located along the north side of Upper McKinley Road extending northward to McKinley Park Road, within McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila.

The Property is just across and north of the Venice Luxury Residences and Venice Grand Canal Mall or some 480 meters southeast from Lawton Avenue, around 800 meters southwest from the corner of Carlos P. Garcia Avenue (C-5 Road) and Upper McKinley Road, roughly 1.9 kilometers south from Bonifacio Global City and approximately 3.8 kilometers northwest from Taguig City Hall.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.

Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood

2.3 The Property is situated within McKinley Hill, a 50-hectare high-end township in Fort Bonifacio developed by Megaworld Corporation. The Italian-inspired township is home to the Venice Grand Canal Mall, a Megaworld Lifestyle Mall known for its design and architecture and is popularly considered as the "most romantic mall" in the country. The bustling township also has foreign embassies, international schools, commercial strips, lifestyle malls, condominium clusters, BPO-IT office towers, and the Emperador Stadium (McKinley Hill Stadium).

Generally, the streets in the neighbourhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Main thoroughfares and side roads are asphalted and concreted, with widths ranging from 8 to 20 meters and lighted with street lamps.

Some of the notable developments in the area include The Venice Luxury Residences, McKinley Hill Village, Tuscany Private Estate, Chinese International School Manila, Venice Grand Canal Mall, McKinley West Village, Manila American Cemetery and Memorial and Philippine Army National Headquarters Compound, amongst others.

Accessibility

2.4 The Property fronts Upper McKinley Road, an arterial road that connects to Lawton Avenue on the west and to Carlos P. Garcia Avenue (C-5 Road) on the east, providing excellent access to other major sections of the metropolis. Public transport like jeepneys and taxicabs are available throughout the day along the nearby Lawton Avenue.

Other community centers like post office, churches, hospitals, and public and private schools are likewise accessible from the Property.

Land Details

Contract of Lease 2.5 We were provided with a copy of the Contract of Lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, INC. (formerly Megaworld Holdings, Inc.)**, as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 1,520-sqm portion of Lot No. 5, Pcs-00-012027 covered by Transfer Certificate of Title No. 1503-P located in Barangay Pinagsama, Taguig City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;

- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title 2.7 Based on documents provided to us by the Client, "Three World Square" is erected on a portion of the land technically identified as **Lot 5**, **Pcs-00-012027** with an area of 5,148 sq.m. The land is covered by TCT No. 1503-P issued in favor of **MEGAWORLD CORPORATION** on February 23, 2007 by the Registry of Deeds for Taguig City.

Terrain 2.8 The terrain of the land is flat. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment 2.9 This is an office building identified as "Three World Square", described below:

Three World Square –
Three World Square is a sixteen (16)-storey, PEZA-registered, Grade A, reinforced concrete-framed office building with roofdeck. The building was reportedly completed in 2008, and is divided into two (2) zones; the Low Zone (2nd to 8th Floors) and the High Zone (9th to 16th Floors). The ground floor houses the main lobby and some commercial spaces occupied by various banks, while the rest of the upper floors are utilized mainly as offices. The building has no parking area, though a parking building, which is not included in our valuation, is situated across the rear of the Property. Further, the building is inter-connected with Two World Square, an office building on the west boundary of the Property.

Architectural details and/or finishes of the building consist of reinforced concrete footings and foundations, reinforced concrete floor slabs at all levels, reinforced concrete columns, girders and beams construction. External finishes consist of mainly aluminum panels with curtain wall of clear and solar reflective glass. Interior finishes comprise granite, marble and ceramic tiles finishes for the main and elevator lobbies, acoustic board on T-runner and plasterboard lined ceilings with recessed fluorescent lighting, and glass panel and metal doors. Typical standard office floors have plastered cement finish walls and columns, plasterboard and painted walls. Machine and Pump Rooms consist of plain concrete cement with epoxy paint finish and metal door.

Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements. Fit-outs introduced typically comprise of a combination of raised flooring, wall-to-wall carpet, ceramic or vinyl tile coverings, suspended tile or plasterboard lined ceilings with recessed fluorescent lighting. Moreover, tenants who opted to rent whole floors on both Three World Square and Two World Square can have direct access on both buildings, while floor levels with different tenants are walled-off from each of the said buildings.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, cooling tower, standby power supply, electrical power and distribution system, domestic water supply system, overhead water tank, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 26,628.44 sq.m.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 26,628.44 sq.m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Description	Sq.m.
Ground Floor	Commercial Spaces & Retail Units	429.07
2nd Floor	Office Units	1,566.54
3rd Floor	Office Units	1,894.91
4th Floor	Office Units	1,894.91
5th Floor	Office Units	1,894.91
6th Floor	Office Units	1,894.91
7th Floor	Office Units	1,894.91
8th Floor	Office Units	1,894.91
9th Floor	Office Units	1,894.91
10th Floor	Office Units	1,894.91
11th Floor	Office Units	1,894.91
12th Floor	Office Units	1,894.91
14th Floor	Office Units	1,894.91
15th Floor	Office Units	1,894.91
16th Floor	Office Units	1,893.91

	Total	**26,628.44**

Condition

Scope of Inspection

2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

Ground conditions

2.20 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.21 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the building's sewerage system.

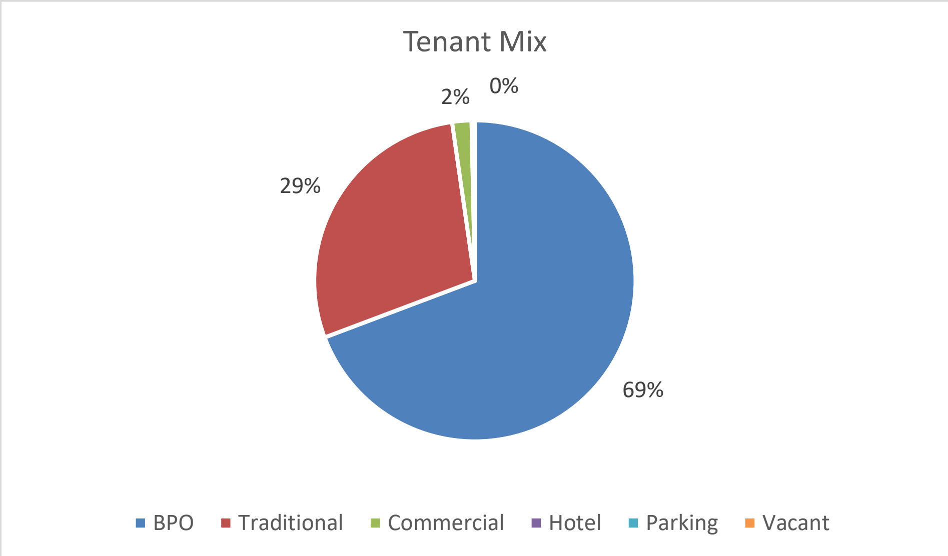
Tenancies

Tenancy Information

2.22 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

2.23 Based on the rent roll provided, total leasable area is **21,216.63** sq.m.

2.24 The Property currently has a mix of traditional offices, Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 69% of the Property's leasable area followed by traditional offices at 29% and commercial tenants at 2%.



Source: SKF/MREIT

2.25 As of 31 March 2021, the Property is about 99.7% occupied with a Weighted Average Lease Expiry (WALE) of 3.15 years. It has been noted that a sizeable area will expire in the years 2022, 2023, 2024 and 2025 with 13%, 36%, 29% and 14% of leased area respectively.

Source:SKF/MREIT

Roadways and Access

Roadways 2.26 Actual inspection and as shown on a copy of Master Development Plan provided to us, the Property in its entirety enjoys frontages along Upper McKinley Road and Service Road – 2, now McKinley Park Road. A copy of the said Master Development Plan is attached herewith as Appendix **4**.

Upper McKinley Road is about 16 meters wide, asphalt-paved, while McKinley Park Road is about 10 meters wide, both concrete-paved. All roads are provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access 2.27 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.28 From our enquiries with the **DOST-UP and Phil-LiDAR Program (City of Taguig, Metropolitan Manila 5-Year Flood Hazard Map)**, and also due to its terrain, we have ascertained that the Property is not within an indicative floodplain and that there is therefore a **minimal** risk of flooding.

Contamination 2.29 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.30 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.31 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.32 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

Outside Views of the Property

Building Lobby / Ground Floor

2.33 Other photographs of the Property are attached at Appendix **5**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3% The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

			Classification		
nb	Country Code ISO Alpha 3	Country Name [1]	Previous	Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate 3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate 3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions 3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units/leased parking slots. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%.

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 5% of the Net Leasing Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. Other operating expenses on the other hand are as follows: general and admin expense.

These percentage allocations were based from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value 3.14

a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%.
b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **6**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions 3.20 We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Market Value

3.22 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP5,190,000,000 (FIVE BILLION, ONE HUNDRED NINETY MILLION PHILIPPINE PESOS).

Calculation 3.23 We attach a copy of our valuation calculations at Appendix **6**.

Value forwarded PhP5,190,000,000

***Note**: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.*

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

FERNANDO M. JIMENEZ III, CPV®
Manager
Licensed Real Estate Appraiser
PRC Reg. No. 1347
Date Issued and Validity: 08/16/2011 - 02/01/2023
PTR No. MLA-9853770 - 01/14/2021; City of Manila
TIN 185-958-494

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

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Newmark Knight Frank Global

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client
Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation
The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term
This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

Proposal for Valuation Services: MREIT, INC. | Our Ref: L21-0520-157R
20 May 2021 | Page 2 of 14

All title and intellectual property rights in and to any licensed content provided is the property of the respective content owner and may be protected by applicable copyright or other intellectual property laws and treaties and subject to use restrictions under such laws and treaties.

4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940,20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;

b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates

Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology

In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ______________________

Noted by:

CELIA N. ROCAMORA
Operations Director

Proposal for Valuation Service: **MREIT, INC.**

Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering

We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios

Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches

We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens

We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities

No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information

We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued

We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries

Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations

19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance

Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age

Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition

Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions

Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues

24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.
Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice
26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security
Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information
In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments
A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence
Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases
Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

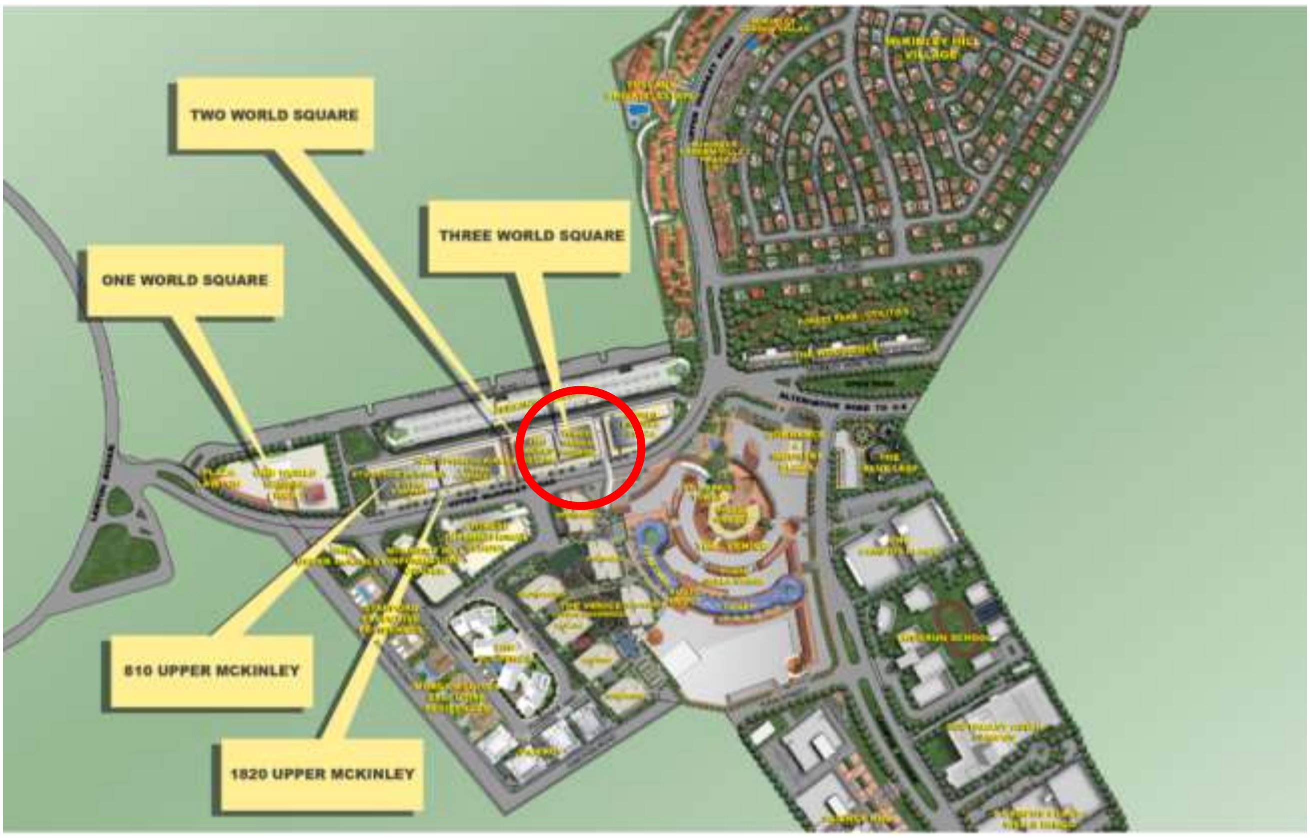
Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Master Development Plan



Appendix 5 - Photographs



Exterior views of Three World Square


Ground floor / Lobby


Exterior views

Passenger Elevators

Air Conditioning Units

Ventilating Units

Overhead Water Tanks

Stand-by Generating Set

Firefighting and Water Distribution Equipment

Appendix 6 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**THREE WORLD SQUARE**
PROPERTY ADDRESS	:	Upper McKinley Road , McKinley Hill, Brgy. Pinagsama, Taguig City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		181,377,221	251,962,965	261,106,772	272,128,159	282,902,517	297,090,389	312,658,077	329,091,049	346,410,059	364,698,645	95,221,407	400,927,193
Less: Vacancy Allowance		1,813,772	2,519,630	2,611,068	2,721,282	2,829,025	2,970,904	3,126,581	3,290,910	3,464,101	3,646,986	952,214	4,009,272
Net Leasing Revenues		179,563,449	249,443,336	258,495,704	269,406,877	280,073,491	294,119,485	309,531,496	325,800,139	342,945,959	361,051,659	94,269,193	396,917,921
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		267,816	356,439	356,439	356,439	356,439	356,439	356,439	356,439	356,439	356,439	88,623	356,439
Real Property Taxes		867,288	1,154,282	1,154,282	1,154,282	1,154,282	1,154,282	1,154,282	1,154,282	1,154,282	1,154,282	286,994	1,154,282
Land Lease		-	-	3,231,196	6,735,172	10,502,756	14,705,974	15,476,575	16,290,007	17,147,298	18,052,583	4,713,460	19,845,896
Other Operating Expenses													
General and Admin Expense		1,795,634	2,494,433	2,584,957	2,694,069	2,800,735	2,941,195	3,095,315	3,258,001	3,429,460	3,610,517	942,692	3,969,179
TOTAL COSTS & EXPENSES		2,930,739	4,005,155	7,326,875	10,939,962	14,814,212	19,157,890	20,082,611	21,058,730	22,087,479	23,173,821	6,031,768	25,325,797
NET OPERATING INCOME		176,632,710	245,438,181	251,168,829	258,466,915	265,259,279	274,961,594	289,448,885	304,741,409	320,858,480	337,877,838	88,237,425	371,592,125
CAPEX		5,386,903	7,483,300	7,754,871	8,082,206	8,402,205	8,823,585	9,285,945	9,774,004	10,288,379	10,831,550	2,828,076	
NOI after CAPEX		171,245,806	237,954,881	243,413,958	250,384,709	256,857,074	266,138,010	280,162,940	294,967,405	310,570,101	327,046,288	85,409,349	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		160,508,835	204,619,546	192,031,061	181,220,493	170,555,032	162,126,278	156,577,984	151,240,303	146,092,075	141,139,879	36,077,832	
Total Present Worth of Cashflows		1,702,189,317											
Terminal Value of Property at 11Y	4.5%	8,257,602,768											
Discounted at	0.42	3,488,100,648											

TOTAL PROPERTY VALUE	**5,190,289,965**
Rounded to, say	**5,190,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.
Director

T: +632 7752 2580

F: +632 7752 2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA
Director

T: +632 7752 2580

F: +632 7752 2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

FERNANDO M. JIMENEZ III
Manager

T: +632 7752 2580

F: +632 7752 2571

Fernando.Jimenez@santos.knightfrank.ph

Fernando M. Jimenez III is a Manager under the Valuations and Advisory Group of Santos Knight Frank, Inc. He is mainly responsible for assisting in the overseeing of the Valuation Group – Mortgage Unit, performs appraisal work himself as instructed, conducts review of appraisal reports and ensure that Valuation Standards as well as Company policies are maintained in every Appraisal Report that the Company produces. He also monitors the Team's performance for timely delivery of reports and sees to it that client expectations are consistently met. He is a Licensed Real Estate Appraiser with vast experience in property appraisal.

Prior to joining Santos Knight Frank, Inc., Fernan was connected with Pinnacle Real Estate Consulting Services, Inc. as Associate Director of Property Appraisal Department, where he assisted in the day-to-day operations of the Team including proper implementation of the Department's planned objectives and policies. He has been in the appraisal industry for about 20 years now and started his career in appraisal with China Banking Corporation, where he last served as a Supervisor for the Appraisal Department handling various branch accounts and ROPA accounts. He is adept in the appraisal process and has been consistent in providing reliable reports.

- Licensed Real Estate Appraiser, PRC Reg. No. 1347
- Member, Philippine Association of Realty Appraisers, Inc. (PARA)
- Former Member, Phil. Institute of Real Estate Practitioners, Inc. (PHILRES)
- Former Member, Institute of Philippine Real Estate Appraisers, Inc. (IPREA)
- Bachelor of Arts in Sociology, University of Santo Tomas

PROFESSIONAL PROFILE

CRISELDA DIANNE CORONACION

Appraiser

T: +632 7752 2580

F: +632 7752 2571

Criselda.Coronacion@santos.knightfrank.ph

Criselda Dianne Coronacion is an Appraiser of Santos Knight Frank, Inc. under the Valuations Group.

Prior to joining Santos Knight Frank, Inc., Ms. Coronacion was involved with Royal Asia Appraisal Corporation. She started there as staff appraiser sometime in 2015. During her almost four (4) years experience in her field, she had been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, steel, transportation, food and beverages and had likewise gained an expansive experience in personnel management and development of client relations. She is now currently expanding her expertise and has been involved in light real estate valuation projects.

- Bachelor of Science in Civil Engineering,
  Southern Luzon Estate University

Santosknightfrank.com

Valuation Report

Prepared for:

MREIT, INC.

2021-06-IA: E-Commerce Plaza -
Garden Road, Eastwood City
Barangay Bagumbayan, Libis, Quezon City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	E-Commerce Plaza, Garden Road, Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila, Philippines.		
Description	The Property comprises land (leasehold), leasehold improvements including building machinery & equipment of a site identified as "eCommerce Plaza", a PEZA registered, Grade A office building located on the southeast side of Garden Road, extending northeast to the banks of the Marikina River, some 85 meters east from the intersection of Garden and Orchard Roads.		
Land Area	2,205 sq.m.		
Gross Floor Area	26,074.77 sq.m.	**Gross Leasable Area**	20,940.20 sq.m.
Occupancy	100%	**WALE**	1.93 years
Ave. Lease Rate	PhP815/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE (Income Approach)	**PhP4,279,000,000** **FOUR BILLION, TWO HUNDRED SEVENTY-NINE MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as "E-Commerce Plaza" located along **Garden Road,** within **Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We have neither present nor prospective interest on the Property subject of this valuation or the value reported, and we are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

	1.12	The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.
Expertise	1.13	The valuation process was performed by **Rodelio B. Urbano**, under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
Vetting	1.14	This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection	1.15	We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Jacqueline T. Guerta** and **Rodelio B. Urbano**. Valuation date, however, is **31 March 2021**.
	1.16	The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
Investigations	1.17	The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.
Information provided	1.18	In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following: • Vicinity Maps, Floor Plans and Floor Area Tabulations • Building Profile • Lease Contracts/Revised Lease Payment/Deed of Assignment • Rent Roll • Financial Statements • Expense Projections • Historical and Current Occupancy

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021.**

2 The Property

Location

Address 2.1 The Property is identified as **"E-Commerce Plaza"**, an office building located along the southeast side of Garden Road, Eastwood City, Barangay Bagumbayan, Libis, Quezon City, Metropolitan Manila, Philippines.

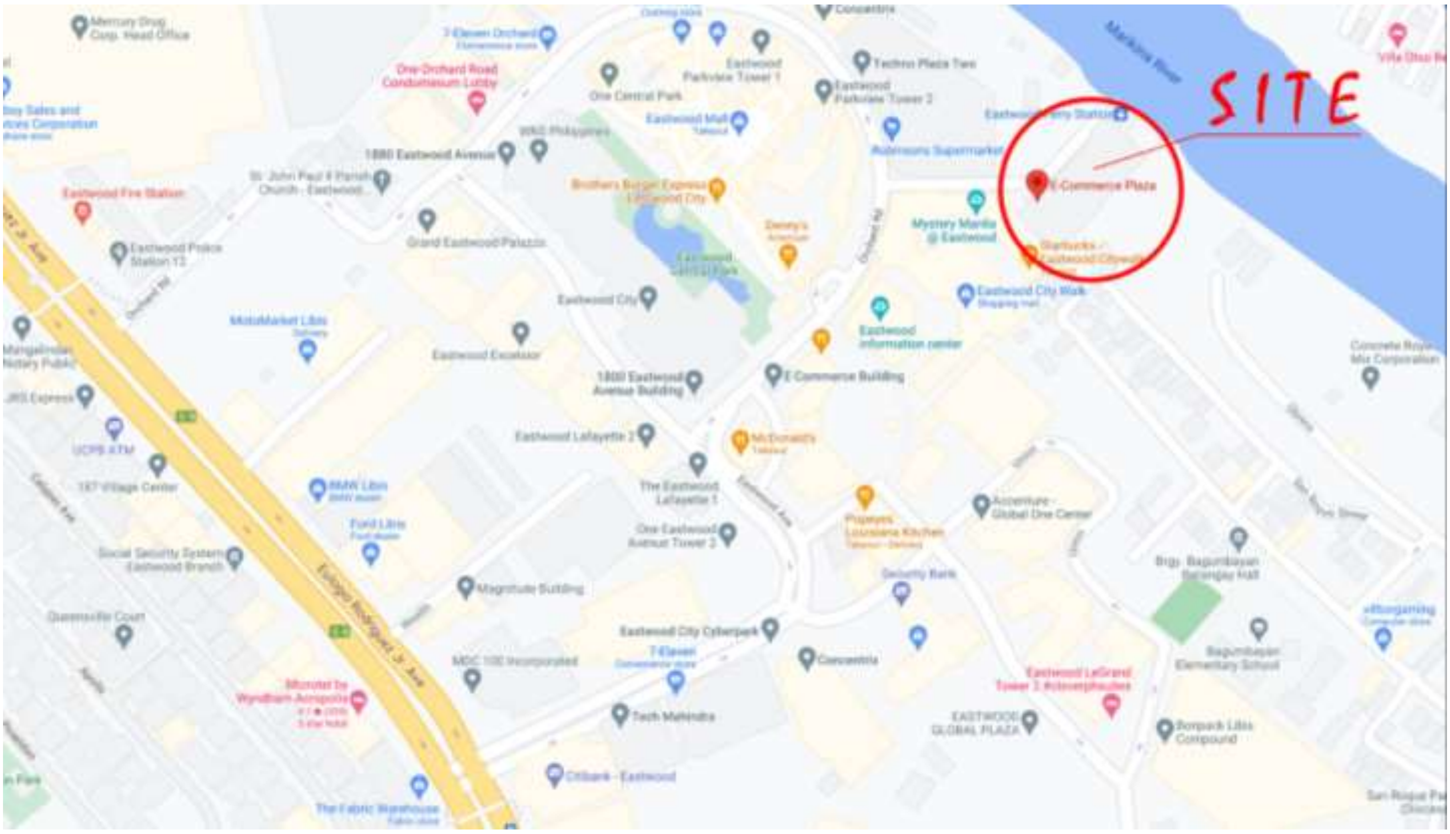
The Property is about 80 meters east from Robinsons Supermarket thru Garden Road, where the defunct Eastwood Ferry Station is located. The site is some 130 meters southeast from Eastwood Mall, about 250 meters northeast from 1800 Eastwood Avenue via Orchard Road, and approximately 530 meters northeast from E. Rodriguez, Jr. Avenue (C-5 Road).

Meanwhile, Eastwood City Complex is about 1.9 kilometers north from the intersection of E. Rodriguez, Jr. Avenue and Ortigas Avenue and approximately 3.7 kilometers northeast from Ortigas Center. In addition, it is also about 4.5 kilometers southeast from Araneta Center in Cubao.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.

Note: Image courtesy of Google Maps

2.2 The street plan below shows the location of the Property.



Neighborhood 2.3 The Property is situated in Eastwood City, an 18.5-hectare mixed-use development complex in the former industrial district of Quezon City. Launched in 1997, it is Megaworld Corporation's first "live-work-play" community that offers complete facilities, amenities, and establishments for living, working, playing, and shopping.

Home to the largest business process outsourcing (BPO) locators, Eastwood City is the country's first IT park and the first project to be granted special economic zone status by the Philippine Economic Zone Authority (PEZA). Since its establishment as a premier Cyberpark, it has become a top employer and leading dollar-earner in the Philippines. Apart from being business community, Eastwood City is a residential community with 19 high-rise residential towers. Eastwood also is an Accredited Tourism Entertainment Complex by the Department of Tourism. Eastwood City offers families, professionals and urbanites a variety of shopping, dining and recreation offerings at its three lifestyle malls - Eastwood Mall, Eastwood Cyber and Fashion Mall, and Eastwood Citywalk, which are managed under the Megaworld Lifestyle Malls brand.

Outside Eastwood City, some commercial developments and residential villages can be found. Some of the residential developments include White Plains, Green Meadows Subdivision and Valle Verde.

Accessibility 2.4 The Property is mainly fronting Garden Road, a secondary road connecting to Eastwood Avenue thru Orchard Road, the main road of the Eastwood Complex which in turn connects to E. Rodriguez, Jr. Avenue, where public transport system to various sections of metropolis is available throughout the day.

Other community centers like churches, hospitals, and public and private schools are likewise accessible within reach from the Property.

Land Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, Inc. (formerly Megaworld Holdings, Inc.)** with the conformity of **Empire East Landholdings, Inc. (EELHI)**, as the Lessee.

Some of the salient details of the contract relevant to this study are as under:

- The leased land is a 2,205-sq.m. portion of Lot No. 2 of Pcs-00-014205, Lot Nos. 10, 11 and 43 of Pcs-00-007917 covered by Transfer Certificates of Title No. 004-2017008910, N-176175, N-176176, and N-176208, respectively;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;

- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title 2.7 Based on documents provided to us by the Client, the "E-Commerce Plaza" is erected on a portion of four (4) adjoining lots containing an aggregate area of 8,838 sq. m., more or less, technically identified as follows:

TCT No.	Date Registered	Lot No.	Survey Plan No.	Area (sq. m.)
004-2017008910	June 22, 2017	2	(LRA) PCS-E2017000286	3,099
N-176175	May 21, 1997	10	PCS-00-007917	3,489
N-176176	May 21, 1997	11	PCS-00-007917	1,082
N-176208	May 21, 1997	43	PCS-00-007917	1,168
				8,838

The above-mentioned Transfer Certificates of Title were all issued in favor of **EMPIRE EAST LAND HOLDINGS, INC.** by the Registry of Deeds for Quezon City.

Terrain 2.8 The terrain of the land is flat. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment 2.9 This is an office building identified as "E-Commerce Plaza", described below:

E-Commerce Plaza –

This is a ten (10)-storey reinforced concrete-framed, PEZA registered, Grade A office building provided with roofdeck and one (1) basement parking level. The building was completed sometime in 2008. The ground floor features a high-ceiling lobby. It also contains a retail space wholly occupied by a BPO tenant, while the rest of the floors, from 2nd to 10th floor are mainly occupied by BPO and several office tenants.

Architectural details and/or finishes of the building consist of pre-cast concrete panel walls and glass curtain/panel. The exterior also has granite tile cladding on columns and beams; aluminum frames with glass panel windows and tempered glass entrance doors leading to the lobby. The interior finishes, meanwhile, consist of ceramic and granite tiles flooring on ground floor lobby and similarly on elevator hallway, and epoxy paint and plain cement finish on basement level; plastered cement concrete hollow block partitions with partly granite tiles cladding on upper elevator hallways, Hardiflex and plywood ceiling; and hollow core, tempered glass panel. Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, standby power supply, electrical power and distribution system, domestic water supply system, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 26,074.77 sq.m.

Note: Following instructions from the Client, the parking level (basement) was excluded in this valuation.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 26,074.77 sq. m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

Level	Area (sq.m.)
Upper Ground	1,892.71
2nd Floor	2,612.81
3rd Floor	2,759.74
4th Floor	2,736.95
5th Floor	2,736.95
6th Floor	2,679.67
7th Floor	2,679.67
8th Floor	2,736.95
9th Floor	2,619.66
10th Floor	2,619.66
	==========
Total	**26,074.77**

Condition

Scope of Inspection 2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

Ground conditions

2.20 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.21 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the centralized Sewage Treatment Plant which is being operated and managed by Eastwood City Estate Association (ECEA).

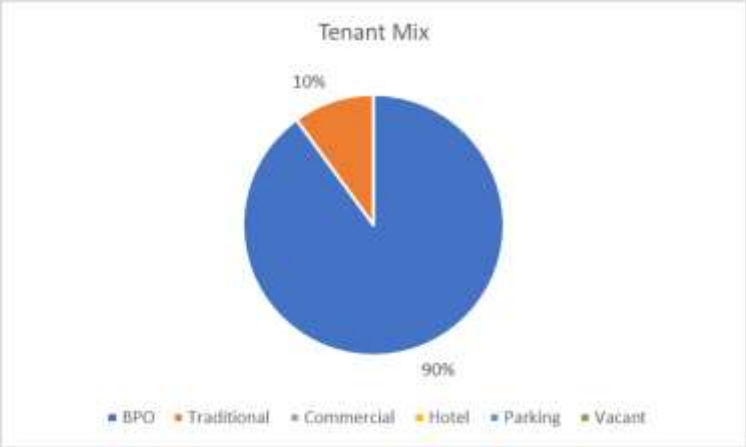
Tenancies

Tenancy Information

2.22 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

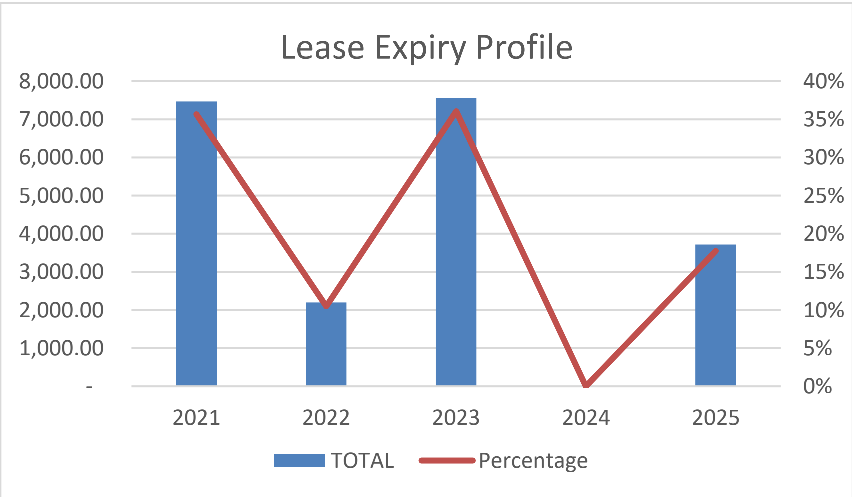
2.23 Based on the rent roll provided, total leasable area is **20,940.20** sq.m.

2.24 The Property currently has a mix of traditional offices, Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 90% of the Property's leasable area followed by traditional offices at 10%.



Source: SKF/MREIT

2.25 As of 31 March 2021, the Property is 100% occupied with a Weighted Average Lease Expiry (WALE) of 1.93 years. It has been noted that a sizeable area will expire in the years 2021, 2022, 2023 and 2025 with 36%, 10%, 36% and 18% of leased area respectively.



Source:SKF/MREIT

Roadways and Access

Roadways 2.26 The fronting road is about 8 meters wide, asphalt-paved and provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access 2.27 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.28 Being situated within a well-planned commercial business district, we have ascertained that the Property, notwithstanding the fact that it is near Marikina River, is not within an indicative floodplain and that there is therefore a minimal risk of flooding.

Contamination 2.29 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.30 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.31 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.32 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

Outside Views of the Property

Building Lobby and Retail unit

2.33 Other photographs of the Property are attached at Appendix **4**.

3 Valuation Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

			Classification		
nb	Country Code ISO Alpha 3	Country Name [1]	Previous	Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate

3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate

3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions

3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and

other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%.

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 5% of the Net Leasing Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. General and admin expense on the other hand is under other operating expenses.

These percentage allocations were based from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value	3.14	a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%. b. The sum of discounted cashflows of the Property represents the Market Value of the Property. The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **5**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions 3.20 We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 As instructed by the Client, Parking Level is excluded in the valuation coverage. We have thus derived the Market Value of the Building using Income Approach by excluding the revenues the parking generates.

3.22 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Market Value

3.23 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP4,279,000,000 (FOUR BILLION, TWO HUNDRED SEVENTY-NINE MILLION PHILIPPINE PESOS)

Calculation 3.24 We attach a copy of our valuation calculations for the Income Approach at Appendix **5.**

***Note**: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.*

Value forwarded …………………………… PhP4,279,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JESUS CONSTANCE M. CASTRO, CPV®
Associate Director
Licensed Real Estate Appraiser
PRC Reg. No. 423
Date Issued and Validity: 04/14/2011 - 12/22/2022
PTR No. 8533465 - 01/05/2021; Makati City
TIN 185-543-916

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by):

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

[illegible]

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client

Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation

The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term

This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82. SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940,20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

Santos Knight Frank

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates

Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology

In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

All title and intellectual property rights in and to any licensed content provided is the property of the respective content owner and may be protected by applicable copyright or other intellectual property laws and treaties and subject to use restrictions under such laws and treaties.

Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ____________________

Noted by:

CELIA N. ROCAMORA
Operations Director

Proposal for Valuation Service: **MREIT, INC.**
Page 8 of 14

Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering
We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios
Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches
We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens
We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities
No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information
We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued
We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries
Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations
19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance
Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age
Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition
Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions
Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues
24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.
Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security
Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information
In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments
A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence
Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases
Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

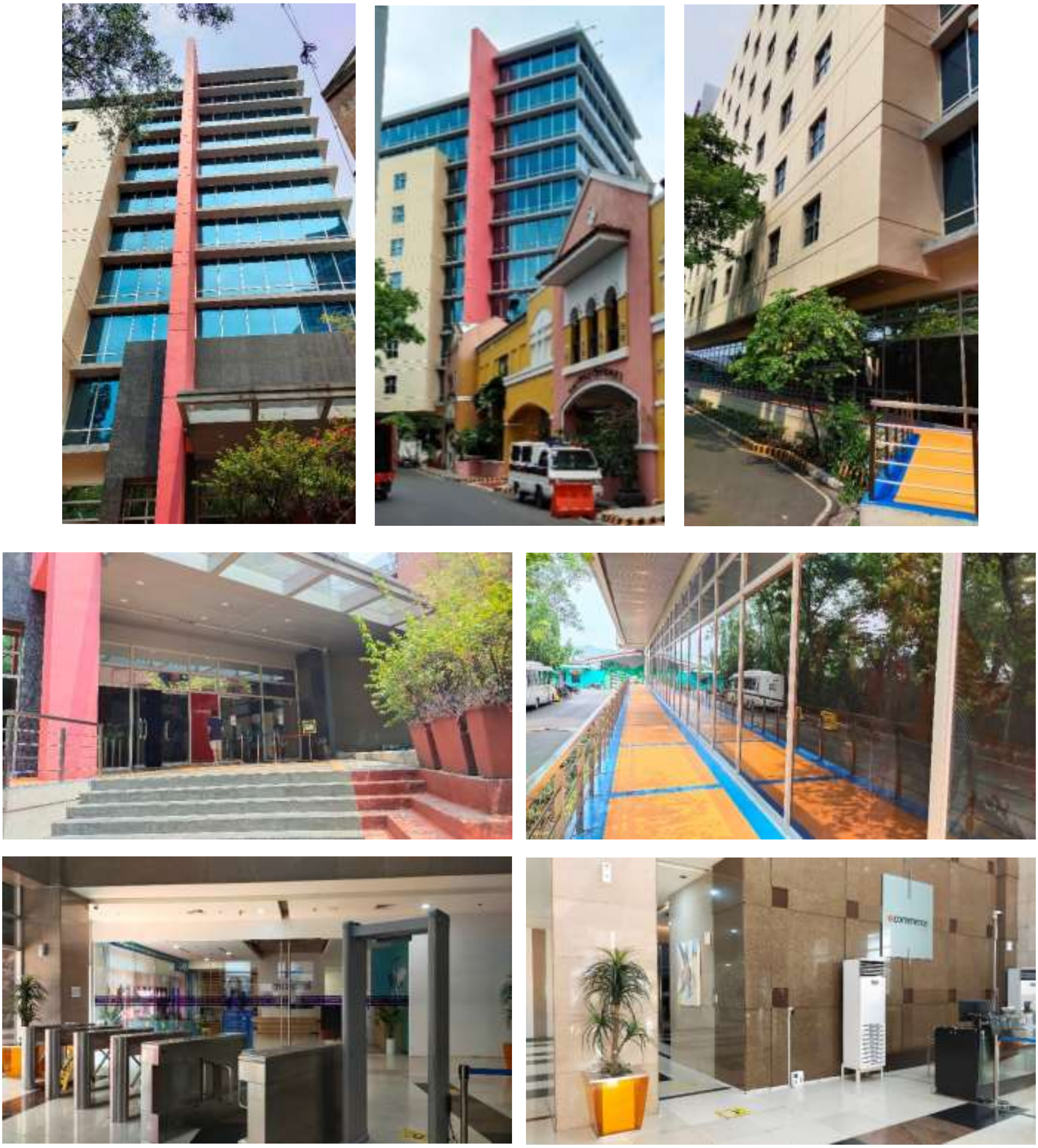
Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Photographs



Various views of the Property

Passenger Elevators

Standby Power Generators

Power Transformers

Fire Pump

Roof Deck

Parking Level

Retail Units

Appendix 5 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**E-COMMERCE PLAZA**
PROPERTY ADDRESS	:	Garden Road, Eastwood City Cyberpark, Brgy. Bagumbayan, Quezon City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		153,913,476	211,358,415	219,340,161	227,363,568	238,586,978	249,792,482	261,175,266	274,234,029	287,945,730	302,343,017	78,367,784	326,341,581
Less: Vacancy Allowance		1,539,135	2,113,584	2,193,402	2,273,636	2,385,870	2,497,925	2,611,753	2,742,340	2,879,457	3,023,430	783,678	3,263,416
Net Leasing Revenues		152,374,341	209,244,831	217,146,759	225,089,933	236,201,108	247,294,557	258,563,513	271,491,689	285,066,273	299,319,587	77,584,106	323,078,166
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		198,606	351,795	351,795	351,795	351,795	351,795	351,795	351,795	351,795	351,795	87,468	351,795
Real Property Taxes		-	-	-	-	-	-	-	-	-	-	-	-
Land Lease		-	-	2,714,334	5,627,248	8,857,542	12,364,728	12,928,176	13,574,584	14,253,314	14,965,979	3,879,205	16,153,908
Other Operating Expenses													
General and Admin Expense		1,523,743	2,092,448	2,171,468	2,250,899	2,362,011	2,472,946	2,585,635	2,714,917	2,850,663	2,993,196	775,841	3,230,782
TOTAL COSTS & EXPENSES		1,722,350	2,444,244	5,237,597	8,229,943	11,571,348	15,189,469	15,865,606	16,641,297	17,455,772	18,310,971	4,742,515	19,736,485
NET OPERATING INCOME		150,651,991	206,800,588	211,909,162	216,859,990	224,629,760	232,105,088	242,697,907	254,850,392	267,610,501	281,008,616	72,841,591	303,341,680
CAPEX		4,571,230	6,277,345	6,514,403	6,752,698	7,086,033	7,418,837	7,756,905	8,144,751	8,551,988	8,979,588	2,327,523	
NOI after CAPEX		146,080,761	200,523,243	205,394,759	210,107,292	217,543,727	224,686,251	234,941,001	246,705,641	259,058,513	272,029,029	70,514,068	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		136,921,617	172,431,743	162,037,435	152,068,978	144,450,673	136,874,645	131,304,263	126,494,777	121,861,041	117,396,667	29,785,904	
Total Present Worth of Cashflows		1,431,627,743											
Terminal Value of Property at 11Y	4.5%	6,740,926,230											
Discounted at	0.42	2,847,440,088											

TOTAL PROPERTY VALUE	**4,279,067,832**
Rounded to, say	**4,279,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.

Director

T 632.752.2580

F 632.752.2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA
Director

T 632.752.2580

F 632.752.2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

JESUS CONSTANCE M. CASTRO

Associate Director

T 632.752.2580

F 632.752. 2571

Jesus.Castro@santos.knightfrank.ph

Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas

PROFESSIONAL PROFILE

RODELIO B. URBANO

Appraiser

T 632.752.2580

F 632.752.2571

Rodelio.Urbano@santos.knightfrank.ph

Rodelio Urbano ("Rodel") is an Appraiser of Santos Knight Frank, Inc. under the Plant & Machinery Group of the Valuations Department.

Prior to joining Santos Knight Frank, Inc., Rodel was involved with Asian Appraisal Company, Inc., where he gained valuation experience since 2008. He had been involved in property valuation projects concerning different types of industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications.

He is now currently expanding his expertise by doing light real estate valuation projects

- Bachelor of Science in Mechanical Engineering, University of San Agustin
- Member, Philippine Society of Mechanical Engineers
- Licensed Mechanical Engineer, PRC Registration No. 0037887

Valuation Report

Prepared for:

MREIT, INC.

2021-07-IA: 8/10 Upper McKinley -
Upper McKinley Road, McKinley Hill
Barangay Pinagsama, Taguig City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.



Address	8/10 Upper McKinley, Upper McKinley Road, McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines.		
Description	The Property comprises land (leasehold), leasehold improvements including building machinery & equipment of a site identified as "8/10 Upper McKinley", a PEZA registered, Grade A office building located at the northeast corner of Upper McKinley Road and Florence Way Street, within Barangay Pinagsama, Taguig City, Metropolitan Manila.		
Land Area	2,472 sq.m.		
Gross Floor Area	25,249.38 sq.m.	**Gross Leasable Area**	19,937.50 sq.m.
Occupancy	76.9%	**WALE**	3.36 years
Ave. Lease Rate	PhP926/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE **(Income Approach)**	**PhP4,660,000,000** **FOUR BILLION, SIX HUNDRED SIXTY MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of <u>land (leasehold), leasehold improvements, and building machinery & equipment</u> of a site identified as "**8/10 Upper McKinley**" located along **Upper McKinley Road corner Florence Way Street,** within **Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

	1.12	The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.
Expertise	1.13	The valuation process was performed by **Raymond Robert F. Dechavez**, under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
Vetting	1.14	This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection	1.15	We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Jacqueline T. Guerta** and **Raymond Robert F. Dechavez**. Valuation date, however, is **31 March 2021**.
	1.16	The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
Investigations	1.17	The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.
Information provided	1.18	In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV)

1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date

1.22 The valuation date is **31 March 2021.**

2 The Property

Location

Address

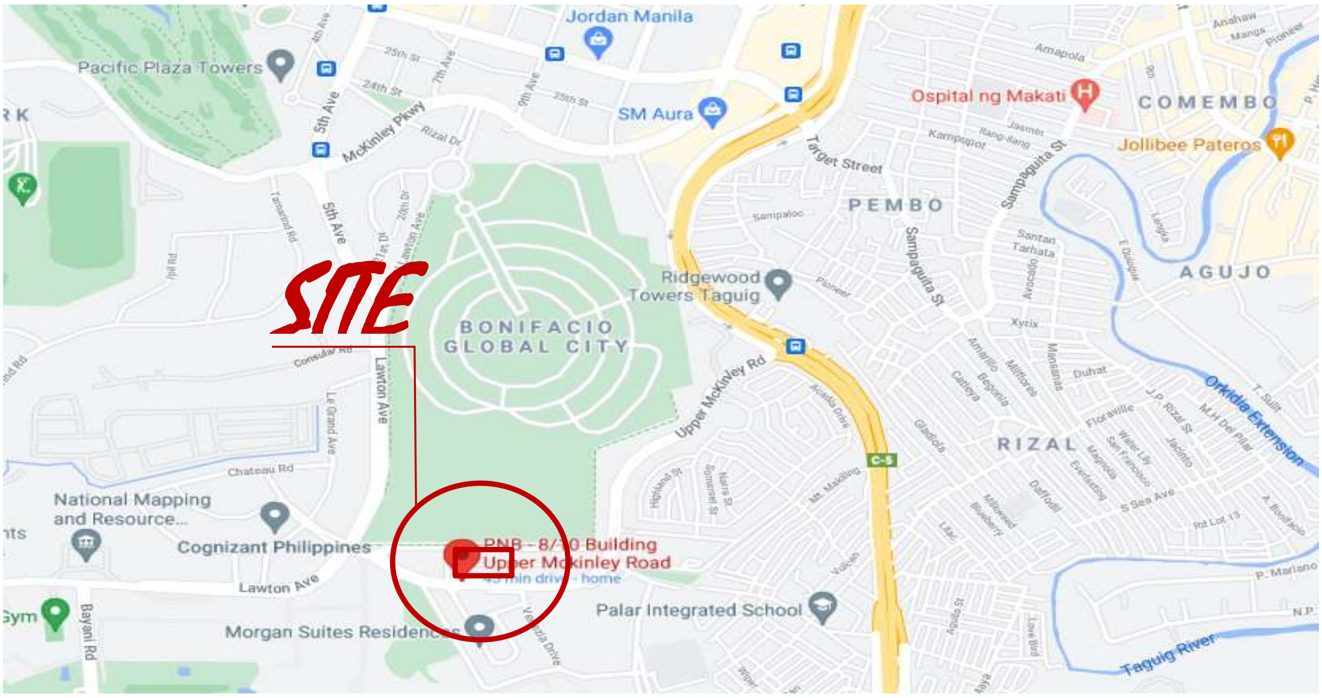
2.1 The Property is identified as **"8/10 Upper McKinley"**, an office building located at the northeast corner of Upper McKinley Road and Florence Way Street, within McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila.

The site is just across One World Square, approximately 250 meters southeast from the intersection of Lawton Avenue and Upper McKinley Road, about 250 meters northwest from Venice Grand Canal Mall, some 530 meters southeast from McKinley West Festival Grounds, roughly 1.4 kilometers south from Bonifacio Global City and approximately 4.1 kilometers northwest from Taguig City Hall.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.

Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood 2.3 The Property is situated within McKinley Hill, a 50-hectare high-end township in Fort Bonifacio developed by Megaworld Corporation. The Italian-inspired township is home to the Venice Grand Canal Mall, a Megaworld Lifestyle Mall known for its design and architecture and is popularly considered as the "most romantic mall" in the country. The bustling township also has foreign embassies, international schools, commercial strips, lifestyle malls, condominium clusters, BPO-IT office towers, and the Emperador Stadium (McKinley Hill Stadium).

Generally, the streets in the neighbourhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Main thoroughfares and side roads are asphalted and concreted, with widths ranging from 8 to 20 meters and lighted with street lamps.

Some of the notable developments in the area include The Venice Luxury Residences, McKinley Hill Village, Tuscany Private Estate, Chinese International School Manila, Venice Grand Canal Mall, McKinley West Village, Manila American Cemetery and Memorial and Philippine Army National Headquarters Compound, amongst others.

Accessibility 2.4 The Property fronts Upper McKinley Road, an arterial road that connects to Lawton Avenue on the northwest and to Carlos P. Garcia Avenue (C-5 Road) on the northeast, providing excellent access to other major sections of the metropolis. Public transport like jeepneys and taxicabs are available throughout the day along the nearby Lawton Avenue.

Other community centers like post office, churches, hospitals, and public and private schools are likewise accessible from the Property.

Land Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, INC. (formerly Megaworld Holdings, Inc.)**, as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 2,472-sqm portion of Lot No. 2, Pcs-00-012027 covered by Transfer Certificate of Title No. 1500-P located in Barangay Pinagsama, Taguig City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:
  - From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and
  - From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;

- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title 2.7 Based on documents provided to us by the Client, "8/10 Upper McKinley" is erected on a land technically identified as **Lot No. 2, Pcs-00-012027** with an area of 5,688 sq.m. The land is covered by TCT No. 1500-P issued in favor of **MEGAWORLD CORPORATION** on February 23, 2007 by the Registry of Deeds for Taguig City.

Terrain 2.8 The terrain of the land is flat. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment 2.9 This is an office building identified as "8/10 Upper McKinley", described below:

8/10 Upper McKinley –
This is a ten (10)-storey, PEZA-registered, Grade A, reinforced concrete-framed office building with roofdeck. Construction of the building was reportedly completed sometime in year 2009. The building is divided into two towers (Tower 8 and Tower 10). Tower 8 is the Low Zone (3rd to 6th Floor) while Tower 10 is the High Zone (7th to 10th Floor). The ground floor houses the main lobby and some retail areas occupied by PNB, Yellow Cab and Army Navy. Second floor is mainly used as parking areas while the rest of the upper floors are utilized mainly as offices.

Architectural details and/or finishes of the building consist of reinforced concrete footings and foundations, reinforced concrete floor slabs at all levels, reinforced concrete columns, girders and beams construction. External finishes consist of mainly aluminum panels with curtain wall of clear and solar reflective glass. Interior finishes comprise granite, marble and ceramic tiles finishes for the main and elevator lobbies, acoustic board on T-runner and plasterboard lined ceilings with recessed fluorescent lighting, and glass panel and metal doors. Machine and Pump Rooms consist of plain concrete cement with epoxy paint finish and metal door.

Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements. Fit-outs introduced typically comprise of a combination of raised flooring, wall-to-wall carpet, ceramic or vinyl tile coverings, suspended tile or plasterboard lined ceilings with recessed fluorescent lighting. Moreover, tenants who opted to rent whole floors of the building can have direct access through the inner walkway on both lobbies of the building.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, cooling tower, standby power supply, electrical power and distribution system, domestic water supply system, overhead water tank, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 25,249.38 sq.m.

Note: Following instructions from the Client, the parking level (2nd Floor) was excluded in this valuation.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 25,249.38 sq. m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Description	Sq m
Ground Floor	Lobby and Retail Units	1,886.34
3rd to 6th Floor	Office Units (Low Rise)	11,681.52
7th to 10th Floor	Office Units (High Rise)	11,681.52

	Total	**25,249.38**

Condition

Scope of Inspection 2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments 2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme. Reportedly, the floor tiles in the lobby were replaced last year (2020).

Ground conditions 2.20 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

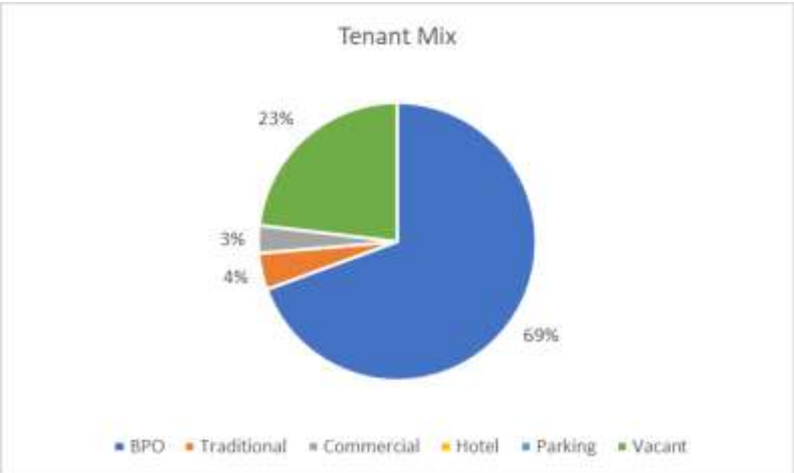
2.21 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the centralized sewerage system.

Tenancies

Tenancy Information 2.22 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

2.23 Based on the rent roll provided, total leasable area is **19,937.50** sq.m.

2.24 The Property currently has a mix of traditional offices, Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 69% of the Property's leasable area followed by traditional offices at 4%.



Source: SKF/MREIT

2.25 As of 31 March 2021, the Property is 76.9% occupied with a Weighted Average Lease Expiry (WALE) of 3.36 years. It has been noted that a sizeable area will expire in the years 2022, 2023, 2024 and 2026 with 15%, 15%, 32% and 36% of leased area respectively.

Source: SKF/MREIT

Roadways and Access

Roadways 2.26 Based on actual inspection and as shown on a copy of Master Development Plan provided to us, the Property enjoys frontages along Upper McKinley Road, Service Road – 2, now McKinley Park Road and Florence Way. A copy of the said Master Development Plan is attached herewith as Appendix **4**.

Upper McKinley Road is about 16 meters wide, asphalt-paved, while McKinley Park Road and Florence Way are both about 10 meters wide and concrete-paved. All roads are provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access 2.27 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.28 From our enquiries with the **DOST-UP and Phil-LiDAR Program (City of Taguig, Metropolitan Manila 5-Year Flood Hazard Map)**, and also due to its terrain, we have ascertained that the Property is not within an indicative floodplain and that there is therefore a minimal risk of flooding.

Contamination 2.29 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.30 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.31 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.32 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs


Outside Views of the Property


Parking Area

Sixth Floor

Tower 8 Lobby

Tower 10 Lobby

2.33 Other photographs of the Property are attached at Appendix **5**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;

- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

			Classification		
nb	Country Code ISO Alpha 3	Country Name [1]	Previous	Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate

3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate

3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions

3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and

other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 3%

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 5% of the Net Leasing Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. Other operating expenses on the other hand are as follows: general and admin expense.

These percentage allocations were based from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value	3.14	a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%. b. The sum of discounted cashflows of the Property represents the Market Value of the Property. The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **6**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as:
"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions 3.20 We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 As instructed by the Client, Parking Level is excluded in the valuation coverage. We have thus derived the Market Value of the Building using Income Approach by excluding the revenues the parking generates

3.22 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not conside projections.

Market Value

3.23 Using the **<u>Income Approach</u>**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP4,660,000,000 (FOUR BILLION, SIX HUNDRED SIXTY MILLION PHILIPPINE PESOS)

Calculation 3.24 We attach a copy of our valuation calculations for the Income Approach at Appendix **6**.

***Note**: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.*

Value forwarded ……………………………. PhP4,660,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JESUS CONSTANCE M. CASTRO, CPV®
Associate Director
Licensed Real Estate Appraiser
PRC Reg. No. 423
Date Issued and Validity: 04/14/2011 - 12/22/2022
PTR No. 8533465 - 01/05/2021; Makati City
TIN 185-543-916

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

Santos Knight Frank

Santos Knight Frank

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client

Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation

The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term

This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

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Santos Knight Frank

4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82. SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940,20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

All title and intellectual property rights in and to any licensed content provided is the property of the respective content owner and may be protected by applicable copyright or other intellectual property laws and treaties and subject to use restrictions under such laws and treaties.

8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates

Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology

In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

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All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

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l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery
We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format
The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees
Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

All title and intellectual property rights in and to any licensed content provided is the property of the respective content owner and may be protected by applicable copyright or other intellectual property laws and treaties and subject to use restrictions under such laws and treaties.

Newmark Knight Frank Global

22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ____________________

Noted by:

CELIA N. ROCAMORA
Operations Director

Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering
We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios
Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches
We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens
We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities
No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information
We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued
We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries
Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations
19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance
Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age
Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition
Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions
Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues
24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.

Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information

In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence

Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases

Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Master Development Plan

Appendix 5 - Photographs

Tower 8

Tower 10

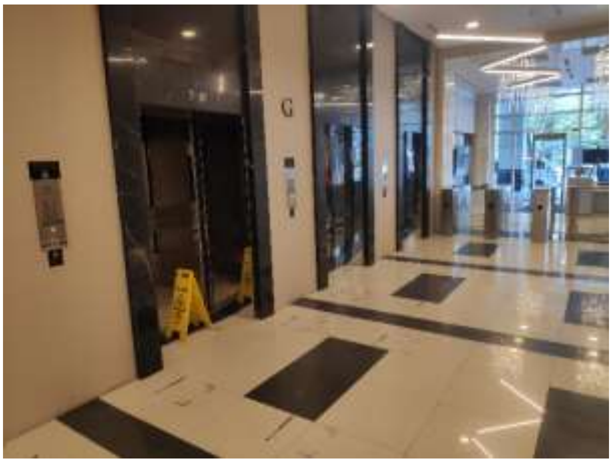
Outside View along McKinley Road

Outside View of the building

Outside View of the building

Main Entrance of Tower 8

Lobby of Tower 8



Elevator Area

View of 6th Floor

Typical Comfort Room

Main Entrance of Lobby 10

Lobby of Tower

Appendix 6 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**8/10 UPPER MCKINLEY BUILDING**
PROPERTY ADDRESS	:	Upper McKinley Road, McKinley Hill, Brgy. Pinagsama, Taguig City

PROJECTED FINANCIALS

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		166,416,788	229,110,567	238,952,874	246,985,039	259,215,451	269,786,300	282,914,963	297,908,236	313,735,925	330,448,226	86,530,967	365,408,838
Less: Vacancy Allowance		8,320,839	11,455,528	11,947,644	4,939,701	5,184,309	5,395,726	5,658,299	5,958,165	6,274,718	6,608,965	1,730,619	7,308,177
Net Leasing Revenues		158,095,948	217,655,039	227,005,230	242,045,338	254,031,142	264,390,574	277,256,664	291,950,071	307,461,206	323,839,261	84,800,347	358,100,661
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		1,258,350	1,674,750	1,674,750	669,900	669,900	669,900	669,900	669,900	669,900	669,900	166,560	669,900
Real Property Taxes		687,691	915,255	915,255	915,255	915,255	915,255	915,255	915,255	915,255	915,255	227,563	915,255
Land Lease		-	-	2,837,565	6,051,133	9,526,168	13,219,529	13,862,833	14,597,504	15,373,060	16,191,963	1,054,212	17,905,033
Other Operating Expenses													
General and Admin Expense		1,580,959	2,176,550	2,270,052	2,420,453	2,540,311	2,643,906	2,772,567	2,919,501	3,074,612	3,238,393	848,003	3,581,007
TOTAL COSTS & EXPENSES		3,527,001	4,766,555	7,697,622	10,056,742	13,651,634	17,448,589	18,220,555	19,102,159	20,032,827	21,015,510	2,296,339	23,071,194
NET OPERATING INCOME		154,568,947	212,888,484	219,307,608	231,988,597	240,379,508	246,941,985	259,036,109	272,847,912	287,428,379	302,823,751	82,504,009	335,029,467
CAPEX		4,742,878	6,529,651	6,810,157	7,261,360	7,620,934	7,931,717	8,317,700	8,758,502	9,223,836	9,715,178	2,544,010	
NOI after CAPEX		149,826,069	206,358,833	212,497,451	224,727,237	232,758,573	239,010,267	250,718,410	264,089,410	278,204,543	293,108,573	79,959,998	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		140,432,097	177,449,820	167,640,801	162,650,430	154,553,446	145,600,567	140,121,970	135,408,055	130,867,327	126,493,741	33,775,967	
Total Present Worth of Cashflows		1,514,994,219											
Terminal Value of Property at 11Y	4.5%	7,445,099,267											
Discounted at	0.42	3,144,890,389											

TOTAL PROPERTY VALUE	**4,659,884,608**
Rounded to, say	**4,660,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.

Director

T 632.752.2580

F 632.752.2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA

Director

T 632.752.2580

F 632.752.2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

JESUS CONSTANCE M. CASTRO

Associate Director

T 632.752.2580

F 632.752. 2571

Jesus.Castro@santos.knightfrank.ph

Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas

PROFESSIONAL PROFILE

RAYMOND F. DECHAVEZ

APPRAISER

T 632.752.2580

F 632.752.2571

Raymond.dechavez@santos.knightfrank.ph

Raymond F. Dechavez is one of the Appraisers under the Valuations Group of Santos Knight Frank, Inc., responsible for handling Real Estate Valuation assignments of the Company.

Prior to joining Santos Knight Frank, Inc., Mr. Dechavez was involved with Manila Banking Corporation and China Banking Corporation. He started with Manila Bank in 2003 as Credit Inverstigator/Appraiser then got promoted as full time Appraiser in 2005. After Manila Bank was acquired by China Bank sometime 2007, he stayed and worked with China Bank until 2009. During his almost six (6) years' experience in his field, he has gained vast experience in real estate valuation project concerning all types of real estate properties including residential properties, commercial estate, farm estate and industrial estate.

Bachelor of Science in Business Administration Major in Management, Pamantasan ng Lungsod ng Maynila

Santosknightfrank.com

Valuation Report

Prepared for:

MREIT, INC.

2021-08-IA: 18/20 Upper McKinley -
Upper McKinley Road, McKinley Hill
Barangay Pinagsama, Taguig City
Metropolitan Manila, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	18/20 Upper McKinley, Upper McKinley Road, McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines.		
Description	The Property comprises <u>land (leasehold), leasehold improvements including building machinery & equipment</u> of a site identified as "18/20 Upper McKinley", a PEZA registered, Grade A office building located on the north side of Upper McKinley Road extending northward to McKinley Park Road, being across and north of Chinese International School Manila and McKinley Hill Information Center or some 300 meters southeast from Lawton Avenue.		
Land Area	2,472 sq.m.		
Gross Floor Area	25,349.41 sq.m.	**Gross Leasable Area**	19,413.81 sq.m.
Occupancy	100%	**WALE**	3.78 years
Ave. Lease Rate	PhP872/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE **(Income Approach)**	**<u>PhP4,337,000,000</u>** **FOUR BILLION, THREE HUNDRED THIRTY-SEVEN MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as "**18/20 Upper McKinley**" located along **Upper McKinley Road,** within **Barangay Pinagsama, Taguig City, Metropolitan Manila, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise

1.13 The valuation process was performed by **Vincent S. Lano**, under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting

1.14 This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection

1.15 We were instructed to carry out an internal and external inspection of the Property. The inspection of the Property was undertaken on **26 May 2021** by **Vincent S. Lano**. Valuation date, however, is **31 March 2021**.

1.16 The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

Investigations

1.17 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal and internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided

1.18 In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property.

It is further assumed that title to the Property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021.**

2 The Property

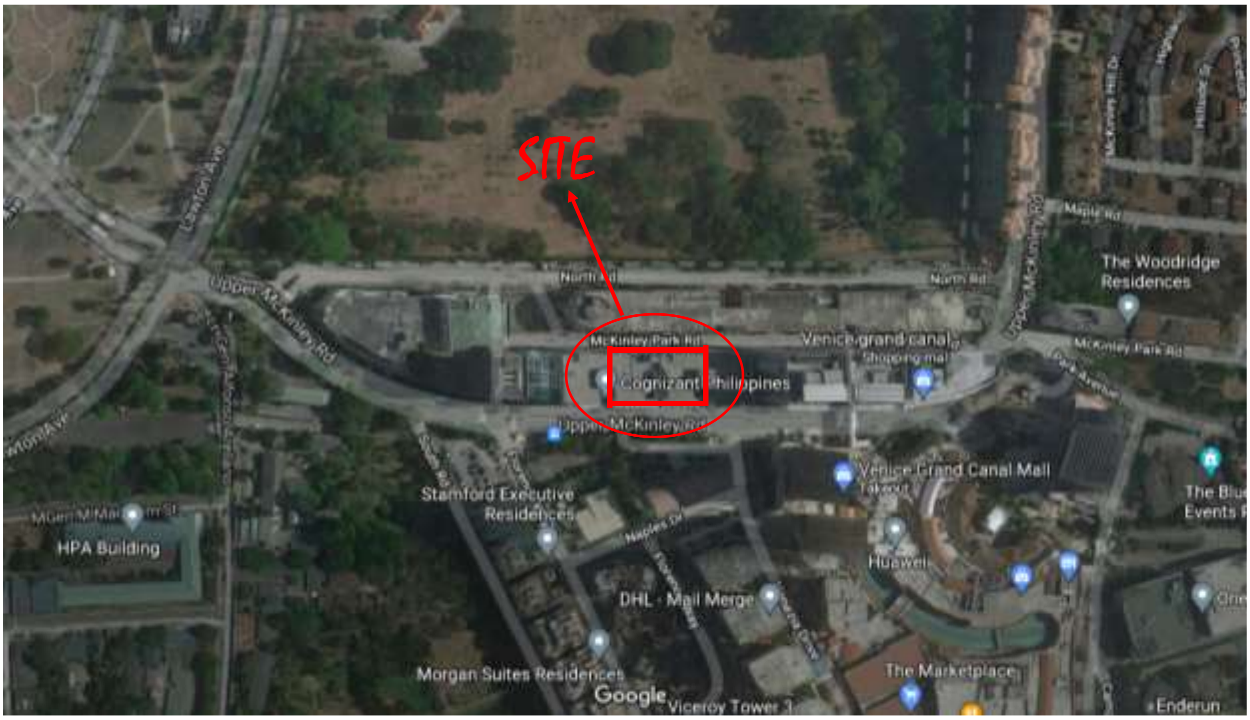
Location

Address

2.1 The Property is identified as **"18/20 Upper McKinley"**, an office building located along the north side of Upper McKinley Road extending northward to McKinley Park Road, within McKinley Hill, Barangay Pinagsama, Taguig City, Metropolitan Manila.

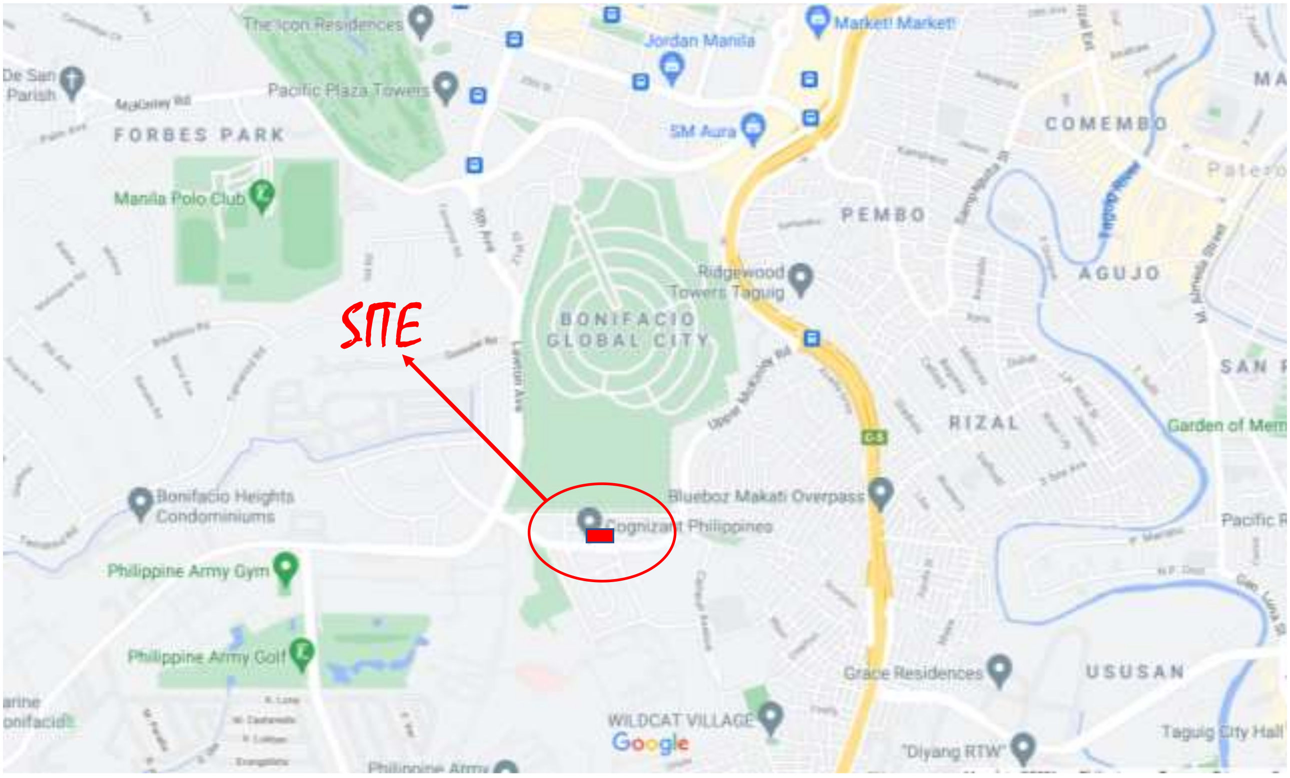
The site is just across and north of the Chinese International School Manila and McKinley Hill Information Center or some 300 meters southeast from Lawton Avenue, around 1 kilometer southwest from the corner of Carlos P. Garcia Avenue (C-5 Road) and Upper McKinley Road, roughly 1.5 kilometers south from Bonifacio Global City and approximately 4 kilometers northwest from Taguig City Hall.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.



Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood

2.3 The Property is situated within McKinley Hill, a 50-hectare high-end township in Fort Bonifacio developed by Megaworld Corporation. The Italian-inspired township is home to the Venice Grand Canal Mall, a Megaworld Lifestyle Mall known for its design and architecture and is popularly considered as the "most romantic mall" in the country. The bustling township also has foreign embassies, international schools, commercial strips, lifestyle malls, condominium clusters, BPO-IT office towers, and the Emperador Stadium (McKinley Hill Stadium).

Generally, the streets in the neighbourhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Main thoroughfares and side roads are asphalted and concreted, with widths ranging from 8 to 20 meters and lighted with street lamps.

Some of the notable developments in the area include The Venice Luxury Residences, McKinley Hill Village, Tuscany Private Estate, Chinese International School Manila, Venice Grand Canal Mall, McKinley West Village, Manila American Cemetery and Memorial and Philippine Army National Headquarters Compound, amongst others.

Accessibility

2.4 The Property fronts Upper McKinley Road, an arterial road that connects to Lawton Avenue on the west and to Carlos P. Garcia Avenue (C-5 Road) on the east, providing excellent access to other major sections of the metropolis. Public transport like jeepneys and taxicabs are available throughout the day along the nearby Lawton Avenue.

Other community centers like post office, churches, hospitals, and public and private schools are likewise accessible from the Property.

Land Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, INC. (formerly Megaworld Holdings, Inc.)**, as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 2,472-sqm portion of Lot No. 2, Pcs-00-012027 covered by Transfer Certificate of Title No. 1500-P located in Barangay Pinagsama, Taguig City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;

- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title 2.7 Based on documents provided to us by the Client, "18/20 Upper McKinley" is erected on a land technically identified as **Lot No. 2, Pcs-00-012027** with an area of 5,688 sq.m. The land is covered by TCT No. 1500-P issued in favor of **MEGAWORLD CORPORATION** on February 23, 2007 by the Registry of Deeds for Taguig City.

Terrain 2.8 The terrain of the land is flat. Its finished elevation is slightly higher than the existing grade of the fronting roads.

Description of Leasehold Improvements

Improvements and Machinery & Equipment 2.9 This is an office building identified as "18/20 Upper McKinley", described below:

18/20 Upper McKinley –
This is a ten (10)-storey, PEZA-registered, Grade A, reinforced concrete-framed office building with roofdeck. The building was reportedly completed in 2009, and is divided into two (2) zones; the Low Zone (3rd to 6th Floors) and the High Zone (7th to 10th Floors). The ground floor houses the two main lobbies and some commercial spaces occupied by 7Eleven, Metrobank and Thomson Reuters, while the rest of the upper floors (3rd to 10th Floor) are utilized mainly as offices. The second floor is mainly used as parking.

Architectural details and/or finishes of the building consist of reinforced concrete footings and foundations, reinforced concrete floor slabs at all levels, reinforced concrete columns, girders and beams construction. External finishes consist of mainly aluminum panels with curtain wall of clear and solar reflective glass. Interior finishes comprise granite, marble and ceramic tiles finishes for the main and elevator lobbies, acoustic board on T-runner and plasterboard lined ceilings with recessed fluorescent lighting, and glass panel and metal doors. Machine and Pump Rooms consist of plain concrete cement with epoxy paint finish and metal door.

Individual tenancy fit-outs are generally the responsibility of the tenants according to their particular requirements. Fit-outs introduced typically comprise of a combination of raised flooring, wall-to-wall carpet, ceramic or vinyl tile coverings, suspended tile or plasterboard lined ceilings with recessed fluorescent lighting. Moreover, tenants who opted to rent whole floors of the building can have direct access through the inner walkway on both lobbies of the building.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, cooling tower, standby power supply, electrical power and distribution system, domestic water supply system, overhead water tank, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 25,349.41 sq.m.

Note: Following instructions from the Client, the parking level (2nd Floor) was excluded in this valuation.

Tenure 2.10 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement 2.11 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 25,349.41 sq. m.

2.12 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Description	Sq m
Ground Floor	Lobby and Retail Units	1,259.80
3rd to 6th Floor	Office Units (Low Rise)	12,045.45
7th to 10th Floor	Office Units (high Rise)	12,044.16

	Total	**25,349.41**

Condition

Scope of Inspection 2.13 As stated in the General Terms of Business, we have not undertaken a building or site survey of the Property, as it is beyond the normal scope of appraisal.

2.14 We have carried out a brief visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible area/s. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

2.15 Unless otherwise stated, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.16 Moreover, due to the nature of the machinery, we have not carried out mechanical inspection, and our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.17 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.18 Apart from the matters specifically referred to below, we have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

2.19 At the date of inspection, the buildings and structures, including the machinery & equipment, appeared to be in a generally good condition commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

2.20 Reportedly, there is a planned renovation of the building equipment including the air conditioning system. Some of the replacement equipment for the renovation were noted on site. However, the renovation was not considered in our valuation since it has not yet started as of the valuation date.

Ground conditions

2.21 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.22 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the centralized sewerage system.

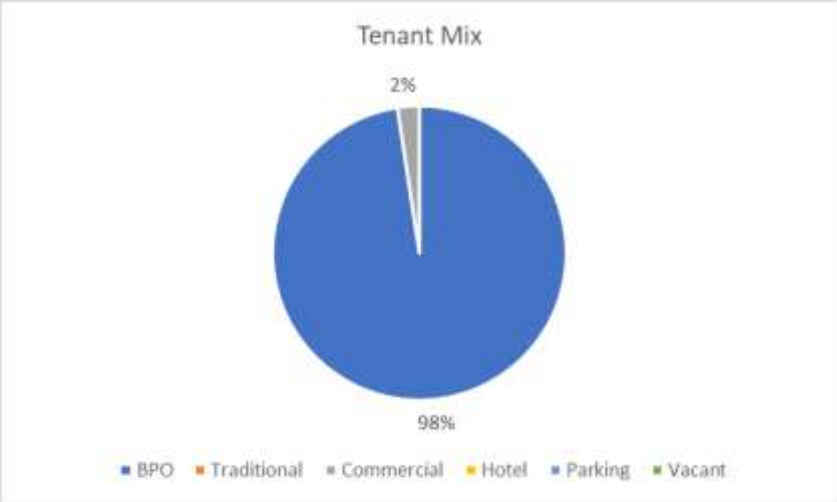
Tenancies

Tenancy Information

2.23 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

2.24 Based on the rent roll provided, total leasable area is **19,413.81** sq.m.

2.25 The Property currently has Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 98% of the Property's leasable area followed by retail tenants at 2%.



Source: SKF/MREIT

2.26 As of 31 March 2021, the Property is 100% occupied with a Weighted Average Lease Expiry (WALE) of 3.78 years. It has been noted that a sizeable area will expire in the year 2025 with 75%of leased area.

Source: SKF/MREIT

Roadways and Access

Roadways

2.27 Based on actual inspection and as shown on a copy of Master Development Plan provided to us, the Property enjoys frontages along Upper McKinley Road and Service Road – 2, now McKinley Park Road. A copy of the said Master Development Plan is attached herewith as Appendix **4**.

Upper McKinley Road is about 16 meters wide, asphalt-paved, while McKinley Park Road is about 10 meters wide, and concrete-paved. Both roads are provided with curbs and gutters, cemented sidewalks and underground drainage system.

Access

2.28 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.29 From our enquiries with the **DOST-UP and Phil-LiDAR Program (City of Taguig, Metropolitan Manila 5-Year Flood Hazard Map)**, and also due to its terrain, we have ascertained that the Property is not within an indicative floodplain and that there is therefore a **minimal** risk of flooding.

Contamination 2.30 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.31 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.32 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the Property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.33 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

Outside Views of the Property

Building Entrance Lobby

2.34 Other photographs of the Property are attached at Appendix **5**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the Property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

			Classification		
nb	Country Code ISO Alpha 3	Country Name [1]	Previous	Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate 3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate 3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4.5% has been assumed, thus resulting to a Capitalization Rate of 4.5%.

Key Financial Assumptions 3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%.

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 5% of the Net Leasing Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. Other operating expenses on the other hand are as follows: general and admin expense.

These percentage allocations were based from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value 3.14

a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%.
b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the Property is attached as Appendix **6**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions

3.20 We confirm that we have inspected the Property on 26 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 As instructed by the Client, Parking Level is excluded in the valuation coverage. We have thus derived the Market Value of the Building using Income Approach by excluding the revenues the parking generates.

3.22 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not considered in the financial projections.

Valuation Results

3.23 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP4,337,000,000 (FOUR BILLION, THREE HUNDRED THIRTY-SEVEN MILLION PHILIPPINE PESOS)

Calculation

3.24 We attach a copy of our valuation calculations for the Income Approach at Appendix **6**.

***Note**: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.*

Value forwarded PhP4,337,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JESUS CONSTANCE M. CASTRO, CPV®	**JACQUELINE T. GUERTA, CPV®**
Associate Director	Director
Licensed Real Estate Appraiser	Licensed Real Estate Appraiser
PRC Reg. No. 423	PRC Reg. No. 949
Date Issued and Validity: 04/14/2011 - 12/22/2022	Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533465 - 01/05/2021; Makati City	PTR No. 8533466 - 01/05/2021; Makati City
TIN 185-543-916	TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

Newmark Knight Frank Global

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client

Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation

The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term

This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

Proposal for Valuation Services: MREIT, INC. | Our Ref: L21-0520-157R
20 May 2021 | Page 2 of 14

4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940.20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates

Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology

In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

Proposal for Valuation Service: MREIT, INC.

l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

Santos Knight Frank

Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL L. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date: ____________________

Noted by:

CELIA N. ROCAMORA
Operations Director

Proposal for Valuation Service: **MREIT, INC.**
20 May 2021

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Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering
We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios
Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches
We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens
We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities
No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information
We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued
We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries
Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations
19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance
Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age
Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition
Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions
Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues
24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.

Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information

In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence

Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases

Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

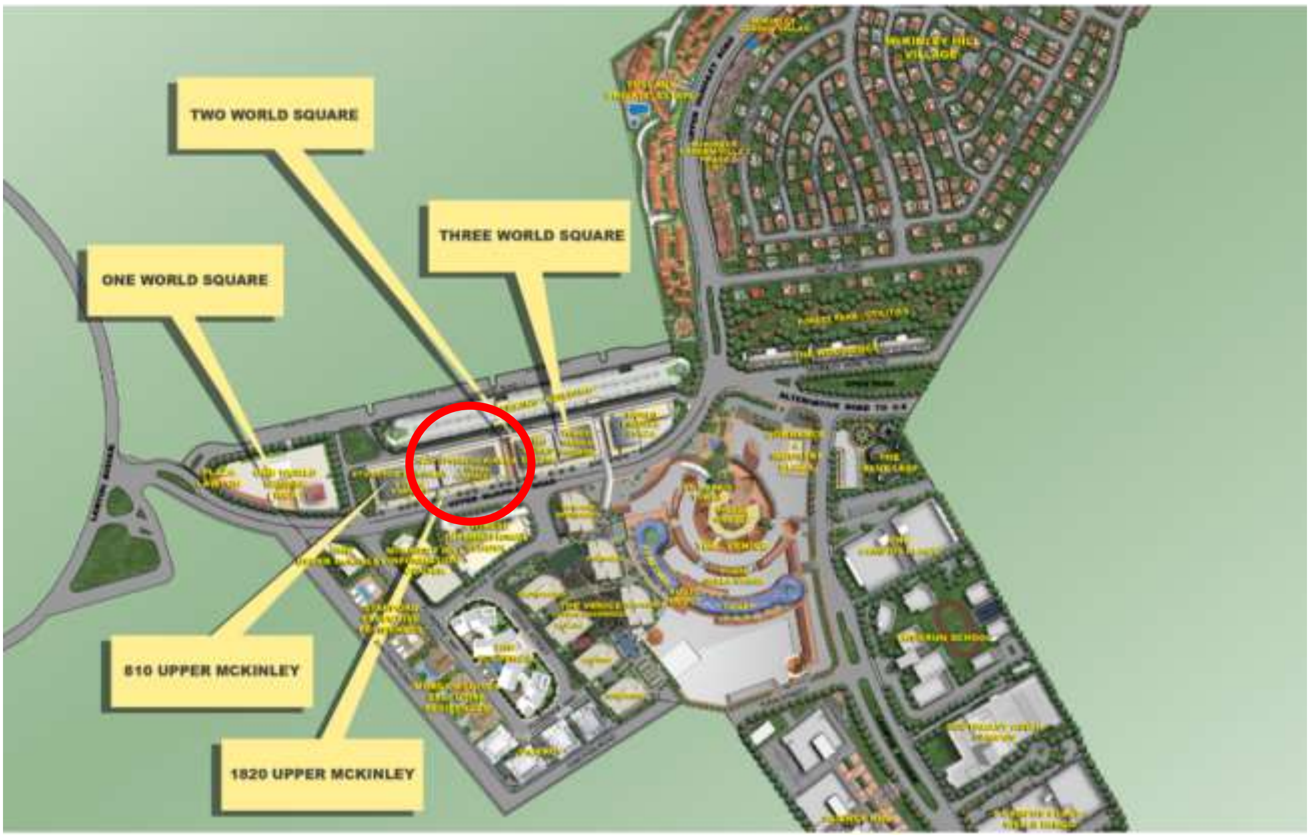
Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Master Development Plan



Appendix 5 - Photographs

Outside views of the Property

Lobby

Various views of the Property

Electrical Distribution System

Stand-by Generating Set

Air Conditioning Units

Fan Coil Unit

Firefighting and Water Distribution Equipment

CCTV Equipment

Appendix 6 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**18/20 UPPER MCKINLEY BUILDING**
PROPERTY ADDRESS	:	Upper McKinley Road, McKinley Hill, Brgy. Pinagsama, Taguig City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		152,665,032	208,509,040	219,598,094	229,880,609	231,791,133	243,500,836	255,348,653	268,833,403	283,064,123	298,085,284	78,054,199	330,220,317
Other Revenues		-	1,868,063	1,961,466	2,085,585	2,294,051	2,486,893	2,611,238	2,741,800	2,915,298	3,248,568	885,657	3,740,198
Gross Leasing Revenues		152,665,032	210,377,103	221,559,560	231,966,195	234,085,184	245,987,729	257,959,890	271,575,203	285,979,422	301,333,853	78,939,856	333,960,515
Less: Vacancy Allowance		1,526,650	2,085,090	2,195,981	2,298,806	2,317,911	2,435,008	2,553,487	2,688,334	2,830,641	2,980,853	780,542	3,302,203
Net Leasing Revenues		151,138,382	208,292,012	219,363,579	229,667,389	231,767,272	243,552,721	255,406,404	268,886,869	283,148,780	298,353,000	78,159,314	330,658,312
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		245,060	326,152	326,152	326,152	326,152	326,152	326,152	326,152	326,152	326,152	81,092	326,152
Real Property Taxes		148,306	197,382	197,382	197,382	197,382	197,382	197,382	197,382	197,382	197,382	49,076	197,382
Land Lease		-	-	2,742,045	5,741,685	8,691,273	12,177,636	12,770,320	13,444,343	14,157,439	14,917,650	3,907,966	16,532,916
Other Operating Expenses													
General and Admin Expense		1,511,384	2,082,920	2,193,636	2,296,674	2,317,673	2,435,527	2,554,064	2,688,869	2,831,488	2,983,530	781,593	3,306,583
TOTAL COSTS & EXPENSES		1,904,750	2,606,454	5,459,215	8,561,893	11,532,480	15,136,697	15,847,918	16,656,746	17,512,461	18,424,714	4,819,727	20,363,033
NET OPERATING INCOME		149,233,632	205,685,558	213,904,364	221,105,496	220,234,792	228,416,023	239,558,485	252,230,123	265,636,319	279,928,285	73,339,587	310,295,279
CAPEX		4,534,151	6,248,760	6,580,907	6,890,022	6,953,018	7,306,582	7,662,192	8,066,606	8,494,463	8,950,590	2,344,779	
NOI after CAPEX		144,699,481	199,436,798	207,323,457	214,215,474	213,281,774	221,109,442	231,896,293	244,163,516	257,141,856	270,977,695	70,994,807	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		135,626,942	171,497,499	163,558,999	155,042,350	141,620,705	134,695,720	129,602,631	125,191,339	120,959,446	116,942,954	29,988,974	
Total Present Worth of Cashflows		1,424,727,558											
Terminal Value of Property at 11Y	4.5%	6,895,450,636											
Discounted at	0.42	2,912,712,867											

TOTAL PROPERTY VALUE	**4,337,440,425**
Rounded to, say	**4,337,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.

Director

T 632.752.2580

F 632.752.2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA

Director

T 632.752.2580

F 632.752.2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

JESUS CONSTANCE M. CASTRO

Associate Director

T 632.752.2580

F 632.752. 2571

Jesus.Castro@santos.knightfrank.ph

Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas

PROFESSIONAL PROFILE

VINCENT S. LANO
Appraiser

T 632.752.2580

F 632.752.2571

vincent.lano@santos.knightfrank.ph

Vincent S. Lano is an Appraiser of Santos Knight Frank (former Department under the Plant and Machinery Group - responsible Machinery and light Real Estate assignments of the Company.

Prior to joining Santos Knight Frank (formerly CBRE Phils., Inc.), Mr. Lano was involved with Cuervo Appraiser, Inc. and Pinnacle Real Estate Consulting Services, Inc. He started there as staff appraiser sometime in 1996. Through the years, he has gained vast experience in industrial valuation and attended several appraisal seminars enhancing his professional advancement. During his more than 10 years' experience in his field, he had been involved in property valuation projects concerning different types of industrial properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications, oil refinery and had likewise gained an expansive experience in personnel management and development of client relations. He is now currently expanding his expertise and has been involved in light real estate valuation projects.

- Bachelor of Science in Mechanical Engineering, University of the East - Caloocan
- Member, Philippine Society of Mechanical Engineers - CAMANAVA Chapter

Santosknightfrank.com

Valuation Report

Prepared for:

MREIT, INC.

2021-09-IA: Richmonde Iloilo Hotel & Tower -
Megaworld Boulevard corner Enterprise Road
Iloilo Business Park, Mandurriao District
Iloilo City, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	Richmonde Iloilo Hotel & Tower, Megaworld Boulevard corner Enterprise Road, Iloilo Business Park, Mandurriao District, Iloilo City, Philippines		
Description	The Property comprises land (leasehold), leasehold improvements including the building machinery & equipment of a site identified as "Richmonde Iloilo Hotel & Tower", an office and hotel building situated next to the iconic Iloilo Convention Center, about 100 meters southwest from Festive Walk Mall.		
Land Area	3,414 sq.m.		
Gross Floor Area	24,956.93 sq.m.	**Gross Leasable Area**	13,123.89 sq.m.
Occupancy	100%	**WALE**	Office - 3.85 years Hotel Tower – 25 years
Ave. Lease Rate	Office Tower - PhP701/ sq.m/ month Hotel Tower – PhP620/ sq.m/ month		
CLIENT	**MREIT, INC.**		
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)		
MARKET VALUE **(Income Approach)**	**PhP1,665,000,000** **ONE BILLION, SIX HUNDRED SIXTY-FIVE MILLION PHILIPPINE PESOS**		
Valuation date	**31 March 2021**		
Date of Issue	14 June 2021		

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as "**Richmonde Iloilo Hotel & Tower**" located along **Megaworld Boulevard corner Enterprise Road,** within **Iloilo Business Park, Mandurriao District, Iloilo City, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**.
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise 1.13 The valuation process was performed by **Ronaldo D. Delfin**, under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting 1.14 This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection 1.15 At the time of appraisal due to COVID 19 there was a travel restriction within the locality where the Property is located, we have thus conducted an inspection of the Property via real-time video walk through. The inspection of the Property was undertaken on **28 May 2021** by **Jacqueline T. Guerta** and **Ronaldo D. Delfin**. Valuation date, however, is **31 March 2021**.

1.16 The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

Investigations 1.17 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided 1.18 In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy
- Property Photographs

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the property.

It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021.**

2 The Property

Location

Address

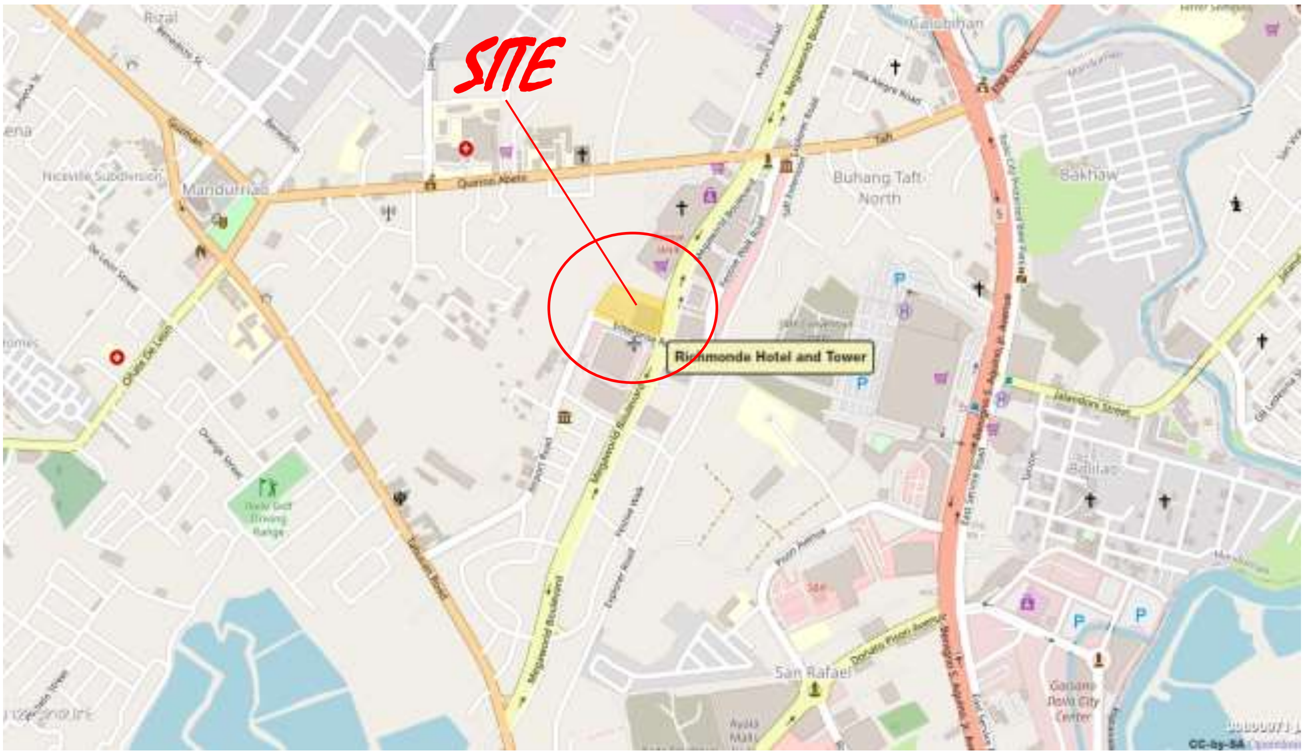
2.1 Based on our inspection and aided by Google Maps, the Property is identified as **“Richmonde Iloilo Hotel & Tower”**, an office and hotel building located on the northwest corner of Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Mandurriao District, Iloilo City.

The Property is between Festive Walk Mall and the iconic Iloilo Convention Center, about 400 meters southwest from the intersection of Megaworld Boulevard and Aleosan Road, some 950 meters southwest from the corner Aleosan Road and Benigno Aquino Avenue (Diversion Road), or approximately 1.5 kilometers west from SM City Iloilo. It is also about 5.3 kilometers northwest from Ioilo City Proper.

Below is a satellite image of the district courtesy of Google Maps showing the Property in relation to its vicinity.

Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.



Neighborhood 2.3 The Property is located in Iloilo Business Park, a 72-hectare mixed use, master planned development by Megaworld Corporation. It is located on the site of the former Iloilo Airport, in Mandurriao District. The Park is an integrated township project featuring a commercial district, a lifestyle mall, office buildings catering to business process outsourcing firms, boutique and deluxe hotels, residential condominiums and a convention center.

Accessibility 2.4 The Property is strategically located along Megaworld Boulevard, the main road of Iloilo Business Park. which is connected to Diversion Road, making it easily accessible to other sections of Iloilo City and nearby municipalities.

Other community centers like churches, hospitals, and public and private schools are likewise accessible from the Property.

Legal Details

Contract of Lease 2.5 We were provided with a copy of the Contract of lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, Inc. (formerly Megaworld Holdings, Inc.)** as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 3,414-sq. m. portion of Lot 3-E, Psd-06-081660 covered Transfer Certificate of Title No. 095-2013003017, located in Mandurriao, Iloilo City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial

Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;

- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025

  a. Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and
  b. One and a Half Percent (1.5%) of hotel rental/revenues for hotel properties

  From 01 July 2025 onwards

  a. Five Percent (5%) of gross rental income for office and retail properties; and
  b. Three Percent (3%) of hotel rental/revenues for hotel properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5^{th} day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title

2.7 Based on documents provided to us by the Client, the "Richmonde Iloilo Hotel & Tower" is erected on a land technically identified as Lot.3-E, Psd-06-081660 with an area of 7,965 sq.m. The land is covered by TCT No. 095-2013003017 issued in favor of **MEGAWORLD CORPORATION** by the Registry of Deeds for Iloilo City.

Description of Leasehold Improvements

Improvements and Machinery & Equipment

2.8 Based on available information and as seen during our video tour, the Property is a hotel and office building identified as "Richmonde Iloilo Hotel & Tower", described below:

Richmond Iloilo Hotel & Tower –
This is a twelve (12)-storey with roof deck, reinforced concrete-framed building completed in 2016. The building has a modern design with entirely glass panel walls. Currently, the ground floor to 4th floor is being used as office of a BPO company, while the 5th to 12th floors is being occupied by Richmonde Hotel with 149 guest rooms of luxurious amenities, including a grand swimming pool at the 7th floor. Lower ground floor, meanwhile, is being used mainly as parking area.

The interior finishes consist of granite tiles flooring on elevator hallways and hotel lobby, wall-to-wall carpet flooring in guest rooms and function halls, acrylic panel and granite tiles accent walls, gypsum and acoustic board ceiling and tempered glass and wood panel doors.

The building is provided with mechanical and electrical services such as lifts & elevators, air conditioning and ventilating system, standby power supply, electrical power and distribution system, domestic water supply system, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the information provided to us by the Client, the building has a total gross floor area of about 24,956.93 sq. m.

Tenure

2.9 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement

2.10 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 24,956.93 sq. m.

2.11 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Sq m
Tower	
Lower Ground Floor (Parking)	500.00
Ground Floor	3,329.65
2nd Floor	3,906.98
3rd Floor	4,106.09

4th Floor	2,395.97

Total for Office	14,238.69
Hotel	
5th Floor	2,395.97
6th Floor	2,395.97
7th Floor	1,185.26
8th Floor	1,185.26
9th Floor	1,185.26
10th Floor	1,185.26
11th Floor	1,185.26
12th Floor	1,185.26

Total for Hotel	10,718.24
	========
Total for Office & Hotel	24,956.93

Condition

Scope of Inspection

2.12 As we did an inspection via video walk through only, we have assumed that the Property is free from urgent or significant defects or items of disrepair.

2.13 Likewise, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.14 For the machinery, our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.15 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.16 We have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

Ground conditions

2.17 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.18 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the building's sewerage system.

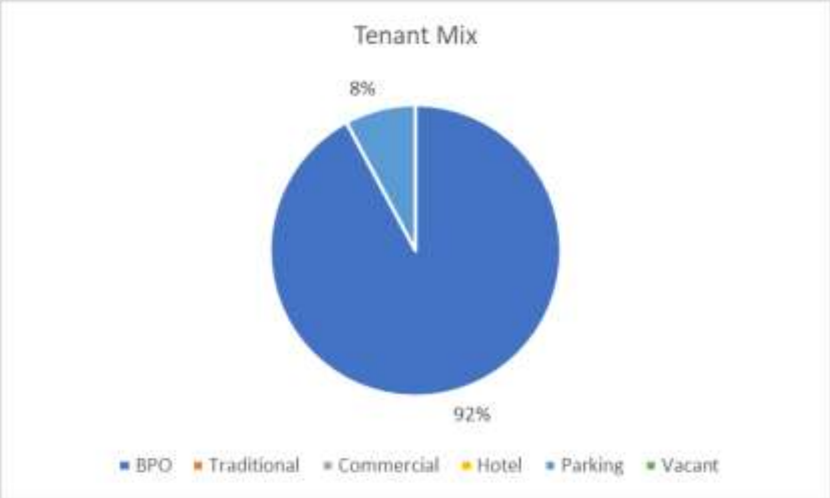
Tenancies

Tenancy Information

2.19 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

2.20 Based on the rent roll provided, total leasable area is **13,123.89** sq.m. with **55** parking slots are available for lease.

2.21 The Property currently has Business Process Outsourcing (BPO) companies as tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 92% of the Property's leasable area while the parking space accounts for 8%.



Source: SKF/MREIT

2.22 As of 31 March 2021, the Property is 100% occupied with a Weighted Average Lease Expiry (WALE) of 3.85 years (office) and 25 years (hotel). It has been noted that there are expiring leases in 2022 and 2025 which accounts for 17% and 83% of leased area respectively.

Source: SKF/MREIT

Roadways and Access

Roadways 2.23 The road network within Iloilo Business Park can accommodate light to moderate pedestrian and vehicular traffic loads and range from 10 to 15 meters wide, all concrete-paved and provided with cemented sidewalks, curbs and gutters, and underground drainage system.

Access 2.24 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.25 Being situated within a well-planned commercial business district, we are ascertained that the Property is not within an indicative floodplain and that there is therefore a minimal risk of flooding.

Contamination 2.26 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.27 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.28 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.29 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

Outside Views of Richmonde Tower (Pictures provided by the Client)

2.30 Other photographs of the Property are attached at Appendix **4**.

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 30 September 2020 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table.

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

nb	Country Code ISO Alpha 3	Country Name (1)	Classification: Previous	Classification: Current Prevailing	Classification: Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk

3.10 The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.

Resulting Discount Rate

3.11 Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.

Capitalization Rate

3.12 A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4% has been assumed, thus resulting to a Capitalization Rate of 5%.

Key Financial Assumptions

3.13 We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and

other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

OFFICE TOWER

The revenues come from the rental of office units and parking slots. In estimating the annual rents of the subject units/slots, we have adopted the contract rents as appearing in the copy of the rent roll provided to us by the Client for the occupied units/leased parking slots. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

RICHMOND HOTEL

For Richmond Hotel, revenues will be based on the lease revenues as agreed with Megaworld Corporation, who shall operate and manage said Property as a hotel.

Based on the Contract of Lease provided by the Client by and between MREIT, Inc. (LESSOR) (Formerly Megaworld Holdings, Inc.) and Megaworld Corp. (LESSEE) following are the salient details of the said contract –

- Under a Deed of Exchange of Property Shares dated 3 May 2021, the ownership of Richmonde Hotel Iloilo with a gross leasable area of 6,769.14 sq.m. was transferred by Megaworld Corp to MREIT, Inc.
- The lease period shall commence on 01 June 2021 and shall expire 25 years thereafter unless sooner terminated as provided for the Client.
- The premises shall be used exclusively for hotel purpose.
- The lessee shall pay to lessor rental for the leased premises as follows:

1st to 4th year : Four Million Seven Hundred Thousand Pesos (Php4,700,000.00) per month; and,
5th to 25th year : Three Million Pesos (Php3,000,000.00) plus 5% of Gross Rooms Rental Revenue (GRRR) per month.

- The payment provision was amended and now reflects the following provisions:
  1st to 11th year : Four Million Seven Hundred Thousand Pesos (Php4,700,000.00) per month; and,
  12th to 25th year : Three Million Pesos (Php3,000,000.00) plus 5% of Gross Rooms Rental Revenue (GRRR) per month.

- Based on the Amended and Restated Contract of Lease dated 11 June 2021, the Rent is exclusive of Value Added Tax (VAT).
- Where Gross Rooms Rental Revenue shall refer to the total rent actually collected for the use of Leased Premises for an operating year.
- During the effectivity of the contract, the hotel shall be operated under the “Richmonde” Brand.
- Lessor authorizes Lessee to cause the operator to maintain the hotel including the leased premises in good repair condition. Cost of maintenance shall be paid from the Gross Rooms Rental Revenue.
- Lessee shall cause the operator to establish a reserve account in a bank to cover cost of replacements; non-major expenditures; non-routine major repairs, improvements renewals and additions, digital, electronic and computer systems.
- Capital and refurbishment reserve shall be equivalent to 3% of GRRR which shall be withheld from the rent due and owing to lessor for the leased premises for an operating year.

b. **Cost & Expenses**

Operating Costs and Expenses for the Office Tower are assumed to be an average of approximately 16% of the Net Leasing Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. Other operating expenses on the other hand are as follows: general and admin expense.

These percentage allocations were based from the historical and projected performance of the Property.

For the Hotel component on the other hand, there is no allocation of operating costs.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business.

It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value 3.14

a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%.
b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the subject Property is attached as Appendix **5**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as:
"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions 3.20 We confirm that we have conducted a real-time video walk through inspection of the Property on 28 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 Due to travel restrictions, our inspection of the Property is via video-walk through, corroborated by inspection information from a previous appraisal report, building floor plans, photographs and other relevant information concerning the Property. We consider that we have a good basis for valuing the Property on the assumption that the information provided to us are accurate and that no material facts have been omitted on the information provided.

3.22 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not conside projections.

Valuation Results

3.23 Using the **Income Approach**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is estimated at **PhP1,665,000,000 (ONE BILLION, SIX HUNDRED SIXTY-FIVE MILLION PHILIPPINE PESOS)** with the following breakdown:

Richmonde Hotel	**PhP799,000,000**
Richmonde Tower	**PhP866,000,000**

Calculation 3.24 We attach a copy of our valuation calculations for the Income Approach at Appendix **5**.

Note*: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.*

Value forwarded …………………………… PhP1,665,000,000

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JESUS CONSTANCE M. CASTRO, CPV®
Associate Director
Licensed Real Estate Appraiser
PRC Reg. No. 423
Date Issued and Validity: 04/14/2011 - 12/22/2022
PTR No. 8533465 - 01/05/2021; Makati City
TIN 185-543-916

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

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Newmark Knight Frank Global

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client
Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation
The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term
This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

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4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82. SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940,20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset's that are relevant to the purpose of the appraisal;

Santos Knight Frank

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates
Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology
In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

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All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required Information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

Proposal for Valuation Service: MREIT, INC.
20 May 2021
Page 7 of 14

Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ____________________

Noted by:

CELIA N. ROCAMORA
Operations Director

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Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our Client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the Client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the Client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering

We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios

Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches

We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens

We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities

No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information

We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued

We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries

Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations

19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance

Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age

Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition

Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions

Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues

24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.
Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice
26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security
Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information
In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments
A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence
Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases
Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

Important Notice

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Photographs

5th Floor Atrium

Lobby

Function Room

Bizbar

Deluxe Twin Bed

Pool

Note: All pictures provided by the Client.

Appendix 5 - Valuation Calculation (Income Approach DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**RICHMONDE HOTEL**
PROPERTY ADDRESS	:	Megaworld Blvd., Iloilo Business Park, Brgy. Abeto Mirasol, Mandurriao, Iloilo City

		0.75 Apr 2021 - Dec 2021	1.75 Jan 2022 - Dec 2022	2.75 Jan 2023 - Dec 2023	3.75 Jan 2024 - Dec 2024	4.75 Jan 2025 - Dec 2025	5.75 Jan 2026 - Dec 2026	6.75 Jan 2027 - Dec 2027	7.75 Jan 2028 - Dec 2028	8.75 Jan 2029 - Dec 2029	9.75 Jan 2030 - Dec 2030	10.00 Jan 2031 - Mar 2031	Terminal Year Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		-	-	-	-	-	-	-	-	-	-	-	-
Hotel Revenues		32,977,049	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	14,022,951	56,400,000
Less: Vacancy Allowance		-	-	-	-	-	-	-	-	-	-	-	-
Net Leasing Revenues		32,977,049	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	56,400,000	14,022,951	56,400,000
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		-	-	-	-	-	-	-	-	-	-	-	-
Real Property Taxes		-	-	-	-	-	-	-	-	-	-	-	-
Land Lease		-	-	423,000	846,000	1,269,000	1,692,000	1,692,000	1,692,000	1,692,000	1,692,000	420,689	1,692,000
Other Operating Expenses													
General and Admin Expense		-	-	-	-	-	-	-	-	-	-	-	-
TOTAL COSTS & EXPENSES		-	-	423,000	846,000	1,269,000	1,692,000	1,692,000	1,692,000	1,692,000	1,692,000	420,689	1,692,000
NET OPERATING INCOME		32,977,049	56,400,000	55,977,000	55,554,000	55,131,000	54,708,000	54,708,000	54,708,000	54,708,000	54,708,000	13,602,262	54,708,000
CAPEX		989,311	1,692,000	1,692,000	1,692,000	1,692,000	1,692,000	1,692,000	1,692,000	1,692,000	1,692,000	420,689	
NOI after CAPEX		31,987,738	54,708,000	54,285,000	53,862,000	53,439,000	53,016,000	53,016,000	53,016,000	53,016,000	53,016,000	13,181,574	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		29,982,133	47,043,902	42,825,835	38,983,603	35,483,899	32,296,352	29,629,680	27,183,193	24,938,709	22,879,550	5,568,039	
Total Present Worth of Cashflows		336,814,896											
Terminal Value of Property at 11Y	5.0%	1,094,160,000											
Discounted at	0.42	462,185,008											

TOTAL PROPERTY VALUE	**798,999,904**
Rounded to, say	**799,000,000**

MREIT, INC.

as of 31 March 2021

PROPERTY NAME	:	**RICHMONDE TOWER**
PROPERTY ADDRESS	:	Megaworld Blvd., Iloilo Business Park, Brgy. Abeto Mirasol, Mandurriao, Iloilo City

		0.75 Apr 2021 - Dec 2021	1.75 Jan 2022 - Dec 2022	2.75 Jan 2023 - Dec 2023	3.75 Jan 2024 - Dec 2024	4.75 Jan 2025 - Dec 2025	5.75 Jan 2026 - Dec 2026	6.75 Jan 2027 - Dec 2027	7.75 Jan 2028 - Dec 2028	8.75 Jan 2029 - Dec 2029	9.75 Jan 2030 - Dec 2030	10.00 Jan 2031 - Mar 2031	Terminal Year Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		35,859,007	49,579,928	51,789,569	54,379,160	56,641,666	57,899,942	60,794,939	63,834,686	67,026,420	70,377,741	18,234,648	76,050,993
Parking Leasing Revenues		1,275,448	1,750,328	1,835,414	1,927,184	2,006,866	2,057,179	2,160,038	2,268,040	2,381,442	2,500,514	642,975	2,672,232
Gross Leasing Revenues		37,134,455	51,330,257	53,624,983	56,306,344	58,648,532	59,957,121	62,954,977	66,102,726	69,407,862	72,878,255	18,877,623	78,723,225
Less: Vacancy Allowance		358,590	495,799	517,896	543,792	566,417	578,999	607,949	638,347	670,264	703,777	182,346	760,510
Net Leasing Revenues		36,775,865	50,834,457	53,107,087	55,762,553	58,082,115	59,378,121	62,347,027	65,464,379	68,737,598	72,174,477	18,695,276	77,962,715
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		73,904	98,360	98,360	98,360	98,360	98,360	98,360	98,360	98,360	98,360	98,360	98,360
Real Property Taxes		5,038,215	6,705,406	6,705,406	6,705,406	6,705,406	6,705,406	6,705,406	6,705,406	6,705,406	6,705,406	1,667,191	6,705,406
Land Lease		-	-	796,606	1,672,877	2,323,285	2,968,906	3,117,351	3,273,219	3,436,880	3,608,724	934,764	3,898,136
Other Operating Expenses													
General and Admin Expense		367,759	508,345	531,071	557,626	580,821	593,781	623,470	654,644	687,376	721,745	186,953	779,627
TOTAL COSTS & EXPENSES		5,479,878	7,312,111	8,131,443	9,034,268	9,707,872	10,366,453	10,544,588	10,731,629	10,928,022	11,134,235	2,887,268	11,481,529
NET OPERATING INCOME		31,295,987	43,522,347	44,975,644	46,728,284	48,374,244	49,011,668	51,802,440	54,732,750	57,809,576	61,040,243	15,808,009	66,481,186
CAPEX		1,103,276	1,525,034	1,593,213	1,672,877	1,742,463	1,781,344	1,870,411	1,963,931	2,062,128	2,165,234	560,858	
NOI after CAPEX		30,192,711	41,997,313	43,382,431	45,055,408	46,631,780	47,230,324	49,932,029	52,768,819	55,747,448	58,875,008	15,247,151	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		28,299,653	36,113,868	34,224,719	32,609,672	30,963,853	28,771,827	27,906,105	27,056,454	26,223,581	25,408,060	6,440,561	
Total Present Worth of Cashflows		304,018,353											
Terminal Value of Property at 11Y	5.0%	1,329,623,720											
Discounted at	0.42	561,647,428											

TOTAL PROPERTY VALUE	**865,665,781**
Rounded to, say	**866,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.
Director

T 632.752.2580

F 632.752.2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA

Director

T 632.752.2580

F 632.752.2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

JESUS CONSTANCE M. CASTRO

Associate Director

T 632.752.2580

F 632.752. 2571

Jesus.Castro@santos.knightfrank.ph

Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas

PROFESSIONAL PROFILE

RONALDO D. DELFIN
Assistant Manager

T 632.752.2580
F 632.752.2571
Ronaldo.Delfin@santos.knightfrank.ph

Ronaldo D. Delfin is an Assistant Manager of Santos Knight Frank, Inc. under the Valuations Group, handling real estate valuation assignments of the Company.

Prior to joining Santos Knight Frank, Inc., Mr. Delfin was involved with several local appraisal companies like Sallmanns Phils., Inc., E-Value Phils., Inc. and Royal Asia Appraisal Corporation where he started as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Asst. Technical Manager – Real Estate Division at the time of his resignation with Sallmanns Phils. Inc. During his more than 20 years experience in his field, he had been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, steel, cement, transportation, food and beverages and telecommunications and had likewise gained an expansive experience in personnel management and development of client relations. He is now currently expanding his expertise and has been involved in business valuation and light machinery and equipment valuation assignments.

- Bachelor of Science in Civil Engineering, FEATI University
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)

Santosknightfrank.com

Valuation Report

Prepared for:

MREIT, INC.

2021-10-IA: One Techno Place -
Megaworld Boulevard corner Enterprise Road
Iloilo Business Park, Mandurriao District
Iloilo City, Philippines

As of: 31 March 2021

Contact Details:

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Prepared by:

Santos Knight Frank, Inc.
10/F Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City, Philippines
Santosknightfrank.com
T: +632 7752 2580
F: +632 7752 2571

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	One Techno Place, Megaworld Boulevard corner Enterprise Road, Iloilo Business Park, Barangay Buhang, Mandurriao District, Iloilo City
Description	The Property comprises land (leasehold), leasehold improvements including building machinery & equipment of a site identified as "One Techno Place", a PEZA registered, Grade A office building located on the southeast corner of Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Iloilo City.
Land Area	3,003 sq.m.

Gross Floor Area	11,753.27 sq.m.	**Gross Leasable Area**	9,548.70 sq.m.
Occupancy	95.1%	**WALE**	.83 years
Ave. Lease Rate	PhP521/ sq.m/ month		

CLIENT	**MREIT, INC.**
Tenure	Building and building machinery & equipment - Freehold Land - Leasehold (25 years, renewable for another 25 years)
MARKET VALUE **(Income Approach)**	**PhP1,170,000,000** **ONE BILLION, ONE HUNDRED SEVENTY MILLION PHILIPPINE PESOS**
Valuation date	**31 March 2021**
Date of Issue	14 June 2021

Contents

Appendices

1 Instructions

Engagement of Santos Knight Frank

Instructions	1.1	We refer to our Letter of Engagement dated 20 May 2021, to provide a Valuation Report on the opinion of **Market Value** using Income Approach of that certain Property consisting of land (leasehold), leasehold improvements, and building machinery & equipment of a site identified as "**One Techno Place**" located along **Megaworld Boulevard corner Enterprise Road,** within **Iloilo Business Park, Barangay Buhang, Mandurriao District, Iloilo City, Philippines**, ("the Property"). A copy of that document is attached herein as Appendix **2**.
	1.2	This valuation has been carried out by Santos Knight Frank, Inc. ("Santos Knight Frank" or "SKF"), in accordance with our General Terms of Business for Valuations ("General Terms of Business"), as attached as Appendix **3.**
Client	1.3	Our Client for this instruction is **MREIT, Inc.** ("the Client").
Valuation standards	1.4	This valuation has been undertaken in accordance with the International Valuation Standards, as well as other local standards.
Purpose of valuation	1.5	You have confirmed that this valuation is for the purpose of **proposed REIT Initial Public Offering**
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as external and independent valuers in this engagement.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and for the purposes for which are stated herein, and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Except for the purposes which are stated herein, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Santos Knight Frank, Inc. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Santos Knight Frank, Inc.
	1.11	Santos Knight Frank, Inc.'s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount of the level of our fee, specified in the Letter of Engagement, a copy of which is attached as Appendix **2**. We do not accept liability for any indirect or consequential loss (such as loss of profits).

	1.12	The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.
Expertise	1.13	The valuation process was performed by **Raymond Robert F. Dechavez**, under the supervision of **Jacqueline T. Guerta** and **Jesus Constance M. Castro**, both licensed Real Estate Appraisers. The Principal Signatory on behalf of Santos Knight Frank, Inc. and who also reviewed the Valuation Report, is **Wenceslao D. Fuentes, Jr.,** also a licensed Real Estate Appraiser. We confirm that the above-named Licensed Real Estate Appraisers are registered with the Professional Regulation Commission ("the PRC"), having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
Vetting	1.14	This report has been vetted as part of Knight Frank global standards.

Scope of enquiries & investigations

Inspection	1.15	At the time of appraisal due to COVID 19 there was a travel restriction within the locality where the Property is located, we have thus conducted an inspection of the Property via real-time video walk through. The inspection of the Property was undertaken on **28 May 2021** by **Jacqueline T. Guerta** and **Raymond Robert F. Dechavez**. Valuation date, however, is **31 March 2021**.
	1.16	The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.
Investigations	1.17	The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / internet-based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.
Information provided	1.18	In this report, we have been provided with information by the Client. We have relied upon this information as being materially correct in all aspects. In particular, we detail the following:

- Vicinity Maps, Floor Plans and Floor Area Tabulations
- Building Profile
- Lease Contracts/Revised Lease Payment/Deed of Assignment
- Rent Roll
- Financial Statements
- Expense Projections
- Historical and Current Occupancy
- Property Photographs

1.19 In cases where we were not provided with documents or information, we did our own enquiries as outlined and stated in the report. Any assumptions in lieu of the lack of information is also set out in the relevant sections of this report.

Valuation basis

1.20 In accordance with your instructions, we have provided an opinion of value on the basis of **Market Value**.

Market Value (MV) 1.21 Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the property.

It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable.

The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.

Valuation date 1.22 The valuation date is **31 March 2021.**

2 The Property

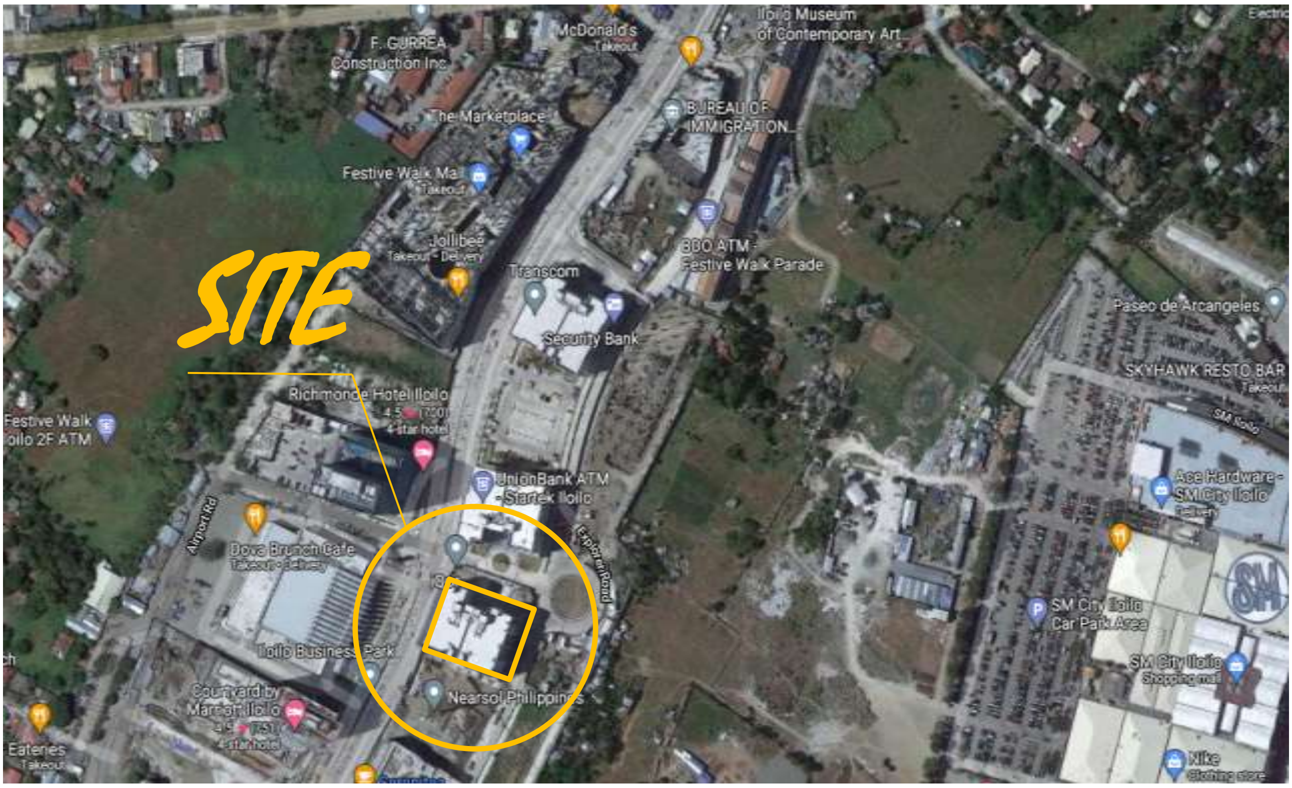
Location

Address

2.1 Based on our inspection and aided by Google Maps, the Property is identified as **"One Techno Place"**, an office building located at the southeast corner of Megaworld Boulevard and Enterprise Road, within Iloilo Business Park, Barangay Buhang, Mandurriao District, Iloilo City, Philippines.

The site is located across Iloilo Convention Center, approximately 200 meters south from Festive Walk Mall, about 200 meters northeast from Marriot Hotel Iloilo, about 500 meters southwest from the intersection of Megaworld Boulevard and Aleosan Road, some 1.5 kilometers west from SM City Iloilo, and 5.4 kilometers northwest from loilo City Proper.

Below is a satellite image of the district courtesy of Google Maps showing the Property and its relation to the immediate vicinity.



Note: Image courtesy of Google Maps.

2.2 The street plan below shows the location of the Property.

Neighborhood 2.3 The Property is located in Iloilo Business Park, a 72-hectare mixed use, master planned development by Megaworld Corporation. It is located on the site of the former Iloilo Airport, in Mandurriao District. The Park is an integrated township project featuring a commercial district, a lifestyle mall, office buildings catering to business process outsourcing firms, boutique and deluxe hotels, residential condominiums and a convention center.

Accessibility 2.4 The Property is strategically located along Megaworld Boulevard, the main road of Iloilo Business Park. which is connected to Diversion Road, making it easily accessible to other sections of Iloilo City and nearby municipalities.

Other community centers like churches, hospitals, and public and private schools are likewise accessible from the Property.

Land Details

Contract of Lease 2.5 We were provided with a copy of the Contract of Lease dated 03 May 2021 and the First Addendum to the Contract of Lease dated 07 June 2021 covering the underlying land, executed by and between **Megaworld Corporation**, as the Lessor, and **MREIT, INC. (formerly Megaworld Holdings, Inc.)**, as the Lessee.

Some of the salient details of the contract are as under:

- The leased land is a 3,003-sq.m. portion of the land identified as Lot No. 7, Pcs-06-005277 covered by Transfer Certificate of Title No. 095-2010001064 located in Barangay Buhang, Iloilo City;
- The lease period shall commence upon the execution of this Contract and shall expire twenty-five (25) years thereafter (Initial Lease Period) unless sooner terminated as provided in the contract, with the Lessee having the option to renew for twenty-five (25) years (Renewed Lease Period) on such terms and conditions mutually acceptable to the parties. We were informed by the Client that commencement date was 03 May 2021;
- As consideration for the lease, Lessee shall pay the lessor Rent equivalent to:

  From 01 July 2023 to 30 June 2025: Two and a Half Percent (2.5%) of gross rental income for office and retail properties; and

  From 01 July 2025 onwards: Five Percent (5%) of gross rental income for office and retail properties
- The rent is exclusive of Value Added Tax (VAT), Documentary Stamp Taxes (DST) and other taxes accruing by reason of the execution of this Contract, which shall be borne by the Lessee. The VAT shall be included in the payment of the Rent to Lessor. The five percent (5%) Expanded Withholding Tax (EWT) shall be withheld by the Lessee from the Rent and timely remitted to the Bureau of Internal Revenue (BIR) for credit to Lessor. Lessee shall furnish Lessor with the corresponding withholding tax certificate for the sums withheld. The tax rates are subject to the prevailing law at the time of payment. Should the tax rates increase during the term of this Contract, the rent corresponding to the net amount to be received by Lessor by virtue of this Contact, shall not in any case be reduced;
- Rent payment commencement date is on July 1, 2023;
- The rent payable to the Lessor is due every quarter in arrears. The rent shall be paid in the form of manager's check of a reputable bank acceptable to the Lessor at Lessor's main office or at any other convenient place designated by Lessor, on or before the 5th day of the succeeding quarter, without need of notice or demand;
- Upon execution of this Contract, Lessee shall provide Lessor with a security deposit in cash in an amount equivalent to two months' rent or PhP5,500,000 fixed, whichever is higher;
- All Estate Dues shall be timely and fully paid by the Lessee to the Estate Association on their due dates pursuant to the rules and regulations adopted by the Estate Association.

Tenure 2.6 As evidenced by the Contract of Lease above, ownership rights to the Land is **leasehold.**

Transfer Certificates of Title

2.7 Based on documents provided to us by the Client, "One Techno Place" is erected on a land technically identified as **Lot No. 7, Pcs-06-005277** with an area of 12,015 sq.m. The land is covered by TCT No. 095-2010001064 issued in favor of **MEGAWORLD CORPORATION** on February 22, 2010 by the Registry of Deeds for Iloilo City.

Description of Leasehold Improvements

Improvements and Machinery & Equipment

2.8 Based on available information and as seen during our video tour, the Property is an office building identified as "One Techno Place", described below:

One Techno Place –
This is a four (4)-storey, PEZA-registered, Grade A, reinforced concrete-framed office building. Construction of the building was reportedly completed sometime in year 2016. The building is currently being used by a BPO Company.

Architectural details and/or finishes consist of ceramic and granite tiles flooring on elevator hallways and hotel lobby, concrete hollow blocks painted finish, granite slab cladding on columns and fixed wall glass, double-wall fiber cement board and concrete hollow blocks with plastered cement partitions, plywood with moldings and gypsum board ceiling, fixed glass on aluminum frame windows, glass panel, flush-type, steel and PVC type doors.

The building is provided with mechanical and electrical services such as elevators, air conditioning and ventilating system, cooling tower, standby power supply, electrical power and distribution system, domestic water supply system, overhead water tank, fire-fighting & fire protection system, and CCTV & security monitoring. The building is painted and provided with complete electrical lighting and plumbing facilities. Based on the floor area tabulation provided to us by the Client, the building has a total gross floor area of about 11,753.27 sq.m.

Tenure

2.9 We were advised that the Client owns the improvements described above. As stated, the land is covered by a Lease Agreement. We have, however, treated the improvements as freehold.

Accommodation

Measurement

2.10 Based on the gross floor area tabulation provided to us by the Client, the building has a total gross floor area of approximately 11,753.27 sq. m.

2.11 The Gross Floor Area (GFA) is tabulated as follows:

Unit	Description	Sq m
Ground Floor	Lobby and Retail Units	1,036.40
Second Floor	Office Units	3,548.49

Third Floor	Office Units	3,584.19
Fourth Floor	Office Units	3,584.19

	Total	**11,753.27**

Condition

Scope of Inspection

2.12 As we did an inspection via video walk through only, we have assumed that the Property is free from urgent or significant defects or items of disrepair.

2.13 Likewise, we have not been able to carry detailed on-site measurement to verify the site and gross floor areas of the Property and we have no reason to doubt the truthfulness of the areas shown on the documents provided to us.

2.14 For the machinery, our assessment was based on the premise that the machinery is in a condition commensurate with age and normal usage.

2.15 Machinery and/or equipment were disclosed to us as complete units i.e., machinery and/or equipment are meant to include all parts and accessories normally comprising the unit.

Comments

2.16 We have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

Ground conditions

2.17 We have not been provided with a copy of a ground condition report for the site. We have assumed that there is no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building.

Services

2.18 It would appear from our inspection that main supplies of electricity and water are provided to the Property. Telephone communication facilities are likewise available. Sewer and drainage are believed to be discharged to the building's sewerage system.

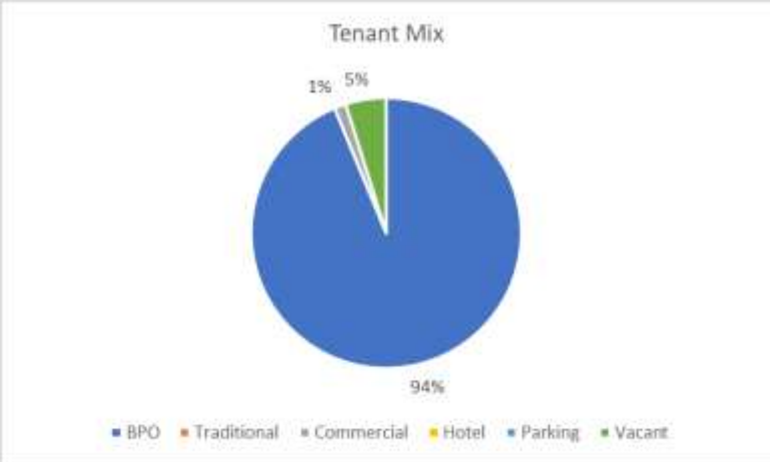
Tenancies

Tenancy Information

2.19 We have been provided with the tenancy information by the Client and have relied on the information as being correct. We made reference to this alongside the Contract of Leases made available to us. No additional verification has been undertaken.

2.20 Based on the rent roll provided, total leasable area is **9,548.70** sq.m.

2.21 The Property currently has Business Process Outsourcing (BPO) companies and some retail tenants. Based on the figure below which summarizes the tenancy profile of the Property, BPOs currently take up 94% of the Property's leasable area followed by retail tenants at 1%.



Source: SKF/MREIT

2.22 As of 31 March 2021, the Property is 95.1% occupied with a Weighted Average Lease Expiry (WALE) of .83 years. It has been noted that 99% of its leased area will expire in 2022.

Source: SKF/MREIT

Roadways and Access

Roadways 2.23 The road network within Iloilo Business Park can accommodate light to moderate pedestrian and vehicular traffic loads and range from 10 to 15 meters wide, all concrete-paved and provided with cemented sidewalks, curbs and gutters, and underground drainage system.

Access 2.24 In reporting our opinion of value, we have assumed that there are no third-party interests between the boundary of the Property and the abutting roads and that accordingly the Property has unfettered vehicular and pedestrian access.

Environmental Considerations

Flooding 2.25 Being situated within a well-planned commercial business district, we are ascertained that the Property is not within an indicative floodplain and that there is therefore a minimal risk of flooding.

Contamination 2.26 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Santos Knight Frank, Inc. is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.27 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

Highest and Best Use

2.28 "*Highest and Best Use*" is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

2.29 Considering the Property's size, shape, topography, current zoning classification and the prevailing land uses and development in the area, we are of the opinion that the **existing commercial development** is the highest and best use of the Property. Market and economic conditions are supportive of this continued use.

Photographs

Outside Views of One Techno Place (Pictures provided by the Client)

3 Valuation

Methodology

Valuation Rationale

3.1 The purpose of this appraisal is to estimate the Market Value of the Property. In any given valuation exercise, market value can be arrived at using either one or a combination of the three (3) approaches to value, namely: Market (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. The determination of the appropriate approach for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

3.2 Due to the nature of the Property and the purpose of this appraisal, we have used the Income Approach to value. The Market (or Direct Sales Comparison) Approach and Cost Approach were not used.

Income Approach

Income Approach

3.3 The Income Approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Discounted Cash Flow Analysis

3.4 The discounted cash flows, or DCF valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal.

3.5 The valuation process, briefly stated, consists of the following:

- Estimation of the revenues generated;
- Estimation of the costs and expenses related to the operations of the development;
- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value

Discount Rate

3.6 The discount rate was computed using the build-up method - calculated by adding together the different variables. The basic formula for the traditional build-up model is:

Discount Rate = Rf + P + MR + LR

Where	Variable	Proxy Statistic
Rf	Risk Free Rate	PDEX Risk Free Rate
P	Equity Risk Premium	Country Risk
MR	Management Risk	
LR	Liquidity Risk	

The variables that were used to generate the Discount Rate are exhibited in the table below, along with the sources and/or dates as at or nearest the 31 March 2021 valuation date.

Risk Free Rate (10Y)	4.41%	As of 31 March 2021, BVAL PDEX
Equity Risk Premium	3.00%	As of 29 January 2021, OECD
Management Risk	0.80%	
Liquidity Risk	0.90%	

3.7 The following assumptions were used to arrive at the Discount Rate using the Build-Up Method.

Risk Free Rate

3.8 For purposes of this valuation, we have adopted, as risk-free rate, the 10-year T-bond rate from PDEx. The Philippine Dealing & Exchange (PDEx) system appointed Bloomberg as technology partner for the electronic trading and surveillance system for the government and corporate bonds traded in its market. PHP BVAL Reference Rates replaced the PDST Reference Rates which were then calculated and published daily by PDEx. The PHP BVAL Reference Rate dated 31 March 2021 was used for this valuation exercise.

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	1.1106	1.1334
3M	1.2839	1.2806
6M	1.5198	1.5123
1Y	1.9078	1.9187
2Y	2.4190	2.4419
3Y	2.7887	2.7933
4Y	3.0870	3.0801
5Y	3.3947	3.3843
7Y	4.0138	4.0161
10Y	4.4085	4.4534
20Y	4.9389	4.9405
25Y	4.9297	4.9308

Equity Risk Premium

3.9 We adopted the country risk premium estimated by the Organisation for Economic Co-operation and Development (OECD) at 3%. The Country Risk Classification Method measure the country credit risk and is based on two components: the Country Risk Assessment Model which produces a qualitative assessment of the country credit risk based on the payment experience of the participants, their economic and financial situation; and the qualitative assessment of the Model which considers the political risk and other risk factors. Shown below is an excerpt of said table

Country Risk Classifications
of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 29 January 2021

			Classification		
nb	Country Code ISO Alpha 3	Country Name [1]	Previous	Current Prevailing	Notes
139	PAN	Panama	4	4	(8)
140	PNG	Papua New Guinea	6	6	
141	PRY	Paraguay	5	5	
142	PER	Peru	3	3	
143	PHL	Philippines	3	3	
144	POL	Poland	-	-	(6)
145	PRT	Portugal	-	-	(6) (7)

Management & Liquidity Risk	3.10	The Management Risk refers to the estimated premium to compensate for the burden of management, while the Liquidity Rate refers to the ease (or the difficulty) with which an investment can be sold or made. A review was done and we have arrived at the following: Management Risk was classified into four categories, with the corresponding rates: Poor – 1.2; Average – 1.0; Above Average - 0.90 and Excellent - 0.80 while Liquidity Risk has three (3) categories: Poor –1.2; Average – 1.0; and Good – 0.90. After the said review, we deemed it appropriate to use 0.80% for Management Risk and 0.90% for Liquidity Risk.
Resulting Discount Rate	3.11	Resulting Discount Rate used for this valuation is 9.11%, or say, 9.0%.
Capitalization Rate	3.12	A discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain constant at throughout the life of the investment, a capitalization rate is often used. In its most basic form, the relationship between discount rate and capitalization rate can be summarized as follows:

Capitalization Rate = Discount Rate – Growth

For purposes of this valuation, a long-term growth rate of 4% has been assumed, thus resulting to a Capitalization Rate of 5%.

Key Financial Assumptions	3.13	We relied on the historical and projected assumptions brought about by our research and as provided by the Client. These financials were analysed to ensure reasonableness by comparing projected revenue growth rates and other operating expenses based on historical performance. Based on interviews with the representatives of the company, projections were prepared to reflect the current and expected future market conditions.

a. **Revenues**

Cashflow projection starts in 2021 for a period of 10 years.

The revenues come from the rental of office units and retail units. In estimating the annual rents of the subject units, we have adopted the contract rents as appearing in the copy of the rent roll and lease contracts provided to us by the Client for the occupied units. After the expiration of the contract, we assume renewals for a period of 5 years.

Occupancy assumptions were based on the actual performance of the Property as well as the prevailing trend in the subject area taking into consideration the forecasted effect of the global pandemic in the office market. We have further assumed a vacancy allowance for the whole cashflow period to account for unanticipated vacancies brought about by early terminations and non-renewals, and rental concession requests from tenants. Average vacancy allowance assumed in the cashflow is 1%.

We used actual escalation rates indicated in the rent roll for all existing leases up until their lease expires. After which, an average escalation of 5% was then be applied year on year until the end of the cash flow.

b. **Cost & Expenses**

Operating Costs and Expenses are assumed to be an average of approximately 5% of the Total Net Revenues. Operating costs and expenses included are basically divided in to two – direct operating expenses and other operating expenses. Direct operating expenses include the following: association dues (for non-occupied leasable spaces), real property taxes (if applicable) and land lease payments. Other operating expenses on the other hand are as follows: general and admin expense.

These percentage allocations were from the historical and projected performance of the Property.

Annual Capital Expenditures (CAPEX) for the entire cashflow period, on the other hand, was assumed to be 3% of the Net Leasing Revenues. CAPEX are expenditures that would create future benefits to the property/business. It is usually incurred when the property owner spends to add value to the existing fixed asset that would allow an extension of the asset's life beyond its normal useful years.

Resulting Market Value 3.14

a. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) for the whole duration of the cashflow shall be discounted at the derived Discount Rate of 9.00%.
b. The sum of discounted cashflows of the Property represents the Market Value of the Property.

The Discounted Cashflow showing the estimated Market Value of the subject Property is attached as Appendix **4**.

Valuation basis

Market Value 3.15 Market Value is defined in the 2019 **International Valuation Standards** as:
"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date 3.16 The valuation date is **31 March 2021**.

General Assumptions

Assumptions 3.17 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Letter of Engagement and within this report.

Key Assumptions 3.18 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to a key assumption that we relied on a very considerable extent on the information provided by the Client and have assumed that documents provided to us such as contract of lease, gross floor area tabulation, floor plans, building tenancies and other relevant matters are factual. We were also advised by the Client that no material facts have been omitted from the information provided.

3.19 We have assumed that the title of the Property is clean and free of any liens and encumbrances.

Special Assumptions

3.20 We confirm that we have conducted a real-time video walk through inspection of the Property on 28 May 2021. The valuation date is earlier than the date of inspection. We have considered material changes to the physical attributes and/or characteristics of the Property which has occurred between the valuation date and the inspection date based on information provided to us by the Client. We have no reason to doubt the truth and accuracy of the information. We were also advised that no material facts have been omitted from the information provided.

3.21 Due to travel restrictions, our inspection of the Property is via video-walk through, corroborated by inspection information from a previous appraisal report, building floor plans, photographs and other relevant information concerning the Property. We consider that we have a good basis for valuing the Property on the assumption that the information provided to us are accurate and that no material facts have been omitted on the information provided.

3.22 In applying Income Approach to value, we have considerably relied on the information provided to us by the Client which includes the following: lease contracts, revenue and expense projections, historical and projected occupancies. Upon expiration of contracts, we estimated the lease rates based on the acceptable escalations in the market.

Revenue and expense items without adequate supporting documents were not conside projections.

Valuation Results

3.23 Using the **<u>Income Approach</u>**, we are of the opinion that the **Market Value** of the Property, reckoned as of **31 March 2021**, is:

PhP1,170,000,000 (ONE BILLION, ONE HUNDRED SEVENTY MILLION PHILIPPINE PESOS)

Calculation

3.24 We attach a copy of our valuation calculations for the Income Approach at Appendix **4**.

Value forwarded PhP1,170,000,000

***Note**: The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the Philippines, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty" per IVS 103 of the International Valuation Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.*

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JESUS CONSTANCE M. CASTRO, CPV®
Associate Director
Licensed Real Estate Appraiser
PRC Reg. No. 423
Date Issued and Validity: 04/14/2011 - 12/22/2022
PTR No. 8533465 - 01/05/2021; Makati City
TIN 185-543-916

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

Reviewed (but not undertaken by:

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

Appendix 1 - Assumptions, Limiting Conditions and Disclaimers

Basis of Value	Our valuation is made on the basis of **Market Value** which is defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would affect the value of the Property. It is further assumed that title to the property is good, marketable and free from liens and encumbrances, and that fee simple ownership is transferable. The values shall be free and clear of all mortgages, without regard to VAT payments, gains taxes, transfer taxes, recording fees, etc. and expressed in the local currency (PhP). No allowances are to be made for any disposal costs or liabilities, or for taxation upon sale.
Property Rights appraised	The rights appraised in this report are the property rights in fee simple, free and clear. "Fee simple" is defined as absolute ownership, without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. We assume that the fee simple interest is marketable and in compliance with the applicable laws of the Philippines.
Fractional Interests:	When the study contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate which is considered the whole. When the valuation report contains an allocation of the total valuation between land and building improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building cannot be used in conjunction with any other valuation/appraisal and will be invalid if so used.
Assumptions:	The valuation is based on the condition of the economy and the purchasing power of the Philippine Peso as of the effective date of valuation. We have assumed that the floor areas provided us have been calculated in accordance with engineering standards, and assumed herein to be true and correct. Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.
Information Supplied By Others	Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser. Information provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, seller and others, was weighed in the light in which it was supplied and checked by secondary means; however, no responsibility is assumed for possible misinformation.
Legal Issues:	This valuation assumes no responsibility for the validity of legal matters affecting the property. The ownership history reported in this valuation is based on the appraiser's research of public records, which are assumed to be accurate and complete. It is not the intent of the valuation to offer a legal opinion of title. It is further assumed that the property has good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded. The appraiser is not required to give testimony or attendance in court by reason of this valuation, with reference to the property in question, unless arrangements have been previously made.
Liability:	The liability of Santos Knight Frank, Inc. and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third party is accepted. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
Environmental Conditions:	It is assumed that there is full compliance with all applicable Philippine environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.
Town Planning:	It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.
Condition of Improvements:	We have inspected the improvements and structures. However we have not carried out a structural survey nor tested any of the services or facilities, nor have we inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot, infestation, asbestos or other hazardous material. We have therefore, viewed the general state of repair of the property and advise that we did not notice any obvious signs of structural defect or dilapidations. Furthermore, the property appears to be in reasonable condition having regard to its age and use and unless otherwise stated. We also assume that the building complies with all relevant statutory requirements in respect of matters such as sanitary, building and fire safety regulations and standards.
Valuation Methodology:	In estimating Fair Value for financial reporting purposes, we still adopted the same Valuation techniques by using any one or the combination of the three (3) Approaches to Value, namely: Market Data (or Direct Sales Comparison) Approach, Cost Approach, and the Income Approach. Briefly described, the Market Data (or Sales Comparison) Approach considers prices recently paid and/or offered for similar items of property with adjustments made to the indicated market prices to reflect the condition and utility of the appraised property relative to market comparatives. The Cost Approach considers the cost to reproduce or replace the property appraised with new assets of like kind, and from this amount an allowance is deducted for depreciation arising from physical deterioration or obsolescence, whether from functional or external causes. In the Income Approach, an estimate is made of the prospective economic benefits of ownership into the future and these benefits are discounted to its present worth or capitalized into an indication of value.
Others:	This report and valuation shall be used only in its entirety and no part shall be used without the whole report. It may not be used for any purpose other than the intended purpose mentioned herein. Possession of this report or any copy thereof does not carry with it the right of copying or publication. All copies will originate from Santos Knight Frank, Inc. and will be signed and dated as such. Neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear. The delivery and acceptance of this report completes this assignment.

Appendix 2 - Letter of Engagement

A Proposal to

MEGAWORLD

For Valuation of Properties

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

Santos | Knight Frank

Santos | Knight Frank

20 May 2021

MREIT, INC.
18th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

PRIVATE & CONFIDENTIAL
Our ref: L21-0520-157R

Attention: **MR. KEVIN ANDREW L. TAN**
President and Chief Executive Officer

Subject: **Proposal for Professional Valuation Services**

Dear Mr. Tan,

Terms of Engagement for Valuation Services

Thank you for your interest in our Valuation Services. We refer to your invitation of 20 May 2021 requesting Santos Knight Frank, Inc. ("SKF") to submit a proposal for valuation (the "Valuation") in respect of the properties detailed below (the "Properties").

This proposal, together with our General Terms of Business for Valuation Services ("General Terms"), sets out our terms of engagement for carrying out this instruction. Once agreed and signed, this proposal shall constitute our Letter of Engagement ("Letter"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed to us in writing. To the extent that there is any inconsistency between the Letter and the General Terms, this Letter shall take precedence.

1. Client

Our Client for this Valuation is MREIT, Inc. (the "Client", "you" or "your").

2. Purpose of Valuation

The Valuation is provided solely for the purpose of the Client's proposed REIT Initial Public Offering (the "Transaction") and, in accordance with clause 4.1 of our General Terms, may not be used for any other purpose without our express written consent. The Valuation will be made accessible in the public domain as part of the regulatory requirements of the Transaction. Specifically, the Valuation will be included in the Client's REIT Plan as part of the appendices.

3. Term

This appointment will commence upon signing of this Agreement and shall continue to be in effect for a period of two (2) years. Any extension of the Term of this Agreement shall be mutually agreed to by both parties.

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4. Properties to be Valued

According to the information that you have provided, the Properties subject to the Valuation will cover eleven (11) Office Commercial Buildings as follows:

1. **1800 Eastwood Avenue Building** (total leasable area approx. 34,738.18 SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
2. **1880 Eastwood Avenue Building** (total leasable area approx. 33,743.82. SQM), Eastwood Avenue corner Orchard Road, Brgy. Bagumbayan, Eastwood City, Quezon City
3. **E Commerce Plaza** (total leasable area approx. 20,940,20 SQM), Garden Road, Brgy. Bagumbayan, Eastwood City, Quezon City
4. **Three World Square** (total leasable area approx. 21,216.63 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
5. **Two World Square** (total leasable area approx. 21,286.40 SQM), Upper McKinley Road, Brgy. Pinagsama, Taguig City.
6. **One World Square** (total leasable area approx. 30,481.74 SQM), Upper McKinley Road corner Florence Way corner North Road, Brgy. Pinagsama, Taguig City
7. **8/10 Upper McKinley** (total leasable area approx. 19,937.50 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
8. **18/20 Upper McKinley** (total leasable area approx. 19,413.81 SQM), Upper Mc Kinley Road, Brgy. Pinagsama, Taguig City
9. **One Techno Place** (total leasable area approx. 9,548.70 SQM), Iloilo Business Park along Access Road, Brgy. Buhang Mandurriao, Iloilo City
10. **Richmonde Tower** (total leasable area approx. 6,354.75 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city
11. **Richmonde Hotel** (total leasable area approx. 6,769.14 SQM), Iloilo Business Park, Airport Road, Brgy. Abeto, Mirasol, Mandurriao, Iloilo city

The Valuation shall exclude all other properties not specified in this Letter.

5. Valuation Date

The Valuation Date will be current or as at the agreed date of valuation.

6. Valuation Standards

The Valuation will be undertaken in compliance with International Valuation Standards 2019 ("IVS").

7. Conflicts of Interest

For this Valuation, we are acting as independent, third-party valuers. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

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8. Competence Disclosure

The valuers, acting on behalf of SKF, are Real Estate Valuers licensed and regulated by the Philippine Professional Regulation Commission (PRC). Additional valuers may be used at the sole discretion of SKF.

We confirm that we meet the requirements in having sufficient current knowledge of the particular market and the skills and understanding to undertake this Valuation competently.

9. Limitation of Liability and Restrictions on Use

Clause 3.1 of the General Terms limits our liability to the level of fee for this Engagement. Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole nor any part of the report or any reference to our name, our valuation and our report may be included in any document, circular or statement nor published without our prior written consent to the form and context in which it may appear.

10. Basis of Valuation

The Valuation will be undertaken on the basis of Market Value of the subject Properties defined under IVS 2019 as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

11. Assumptions

The Valuation will be subject to SKF's Standard Assumption and Limiting Conditions, which will be incorporated into the valuation report. In addition, the valuation may be subject to Special Assumptions and Premise of Valuation.

12. Scope of Work

The scope of work refers to the extent of the process of collecting and reporting data. A clear and accurate description of the scope of the engagement is desirable to protect other parties whose reliance on the report may be affected. Scope-of-work includes, but is not limited to the following:

Valuation

a. Conduct site inspection, identify the property and its property type;
b. Identify and/or describe the conditions and characteristics of the asset/s that are relevant to the purpose of the appraisal;

c. Collect, verify and analyse all available information applicable to the valuation exercise;
d. Document the details of the valuation procedures and the various assumption and parameters used in the valuation exercise;
e. Analyse and apply the appropriate approach/es to value;
f. Determine an objective value, which a serious investor is likely to consider as a sound basis for negotiations, by application of internationally accepted appraisal methodologies for the offered stake and in accordance with the Philippine Laws;
g. Submit the Valuation Report with the indicated values as at the agreed valuation date.

Periodic Updates

Periodic updates of appraisals shall be requested by the Client as necessary. It is estimated that such periodic updates will be required on a quarterly basis.

13. Valuation Methodology

In estimating the Market Value of the properties, it may be necessary to use any one or a combination of the three (3) approaches to value, namely: 1) Cost Approach, 2) Sales Comparison Approach, and 3) Income Capitalization Approach. The determination of the appropriate approach(es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

a. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of the land.

b. The Direct Sales Comparison or Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed listings/sales of properties considered comparable to the property under appraisement. These listings/sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the Sales Comparison Data Grid.

c. The Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

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All three methods are based on an analysis of a property's operating income. However, in compliance to the requirements, we will adopt the most commonly used techniques for estimating the value of leasable areas or properties which is the discounted cash flow analysis.

Discounted Cash Flow Analysis (DCF) converts a series of anticipated periodic income streams and the anticipated net proceeds of a future property sale to present value. This approach requires forecasting all future cash flows during an anticipated holding period, estimating the resale (reversionary) value at the end

of the holding period, selecting an appropriate discount period, and converting the future cash flows into present value.

The determination of the appropriate approach (es) for a given property is based on the quality and quantity of data available, particularly its relevance to the property under appraisement. If more than one valuation approach is utilized, the resulting values are reconciled to produce a final value conclusion.

Considering the scope of work and purpose of this engagement, we shall value the properties using all approaches to value.

14. Reporting Currency

The valuation figures will be reported in Philippine Peso (PhP).

15. Extent of Inspection and Investigations

We will carry out ocular inspection with no restrictions after receipt of this signed agreement, remittance of required initial payment and required documents:

16. Required Information

The list of required information to undertake the Valuation are as follows:

a. Copies of TCT's and/or CCTs
b. Copies of lease contracts
c. Tabulation of Gross Floor Area and Leasable Floor Areas per Building per Floor Basis
d. Office Building Profile
e. Site Development Plan with Dimensions
f. Typical Building Floor Plan with Dimensions
g. Rent Roll – Retail and Office (leased areas, lease rates, escalation rates, lease expiry date, lease terms)
h. Historical Lease Rates
i. Historical and Current Occupancy Rates
j. Floor Area Statistics – Gross Floor Area (GFA), Gross Leasable Area, Net Leasable Area
k. Total number of parking slots and Tabulation of Parking Building Floor Area per Floor (used), parking fees (current and historical), turn-over rate, expenses related to parking

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l. Operating Expenses, unrecoverable expenses, if any (current and historical – past 5 years)
m. CUSA – covered expenses
n. Historical Income Statement (past 5 years)
o. Income Projections (next 5-10 years)
p. Projected CAPEX Allocation
q. Tax declaration; and
r. Letter of authority to inspect

We will rely on information provided to us by you and will assume it to be correct. This information will be relied upon by us in this Valuation, subject only to any verification that we have agreed to undertake.

Information provided by informed local sources, including, but not limited to, government agencies; financial institutions; realtors; buyers; and sellers, will be considered in the context in which it is supplied and checked by secondary means; however, SKF assumes no responsibility for possible misinformation.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.
Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Property. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

17. Timelines and Delivery

We will endeavor to submit the Valuation Report **not later than 04 June 2021**, provided that we receive the **signed copy of the agreement, initial payment and required documents not later than 24 May 2021.**

18. Report Format

The Draft Summary Report will be presented in excel format and the Final Report will be in the form of a Valuation Certificate, which is compliant with IVS. Reports will present discussions of the data, reasoning and analyses that were used to develop the Valuation.

19. Professional Fees

Our Professional Fees for the Valuation and Periodic Updates are set out below.

Valuation

Proposal for Valuation Service: MREIT, INC.

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Professional Fees in respect of the Valuation are subject to change based on the final number and geographic location of the Properties.

Periodic Updates

Our Professional Fees for undertaking each Quarterly Periodic Update will be based on 30% of the Professional Fees for the Valuation and pro-rated for the number of properties subject to update.

20. Taxes

Professional Fees shall be subject to the addition of VAT at 12% (if applicable). VAT is payable at the same time and in the same manner as the consideration to which it relates.

Professional Fees shall be paid to SKF by the Client net of Withholding Tax (if applicable). Withholding Tax shall automatically be withheld by the Client and a certificate of tax withheld shall be issued by the Client to SKF.

Corresponding to the payment of the Professional Fees received, SKF shall issue BIR-registered official receipts (ORs) to the Client compliant to the BIR OR issuance regulations.

21. Miscellaneous

In accordance with clause 10.4 of the General Terms, if you cancel or terminate this Agreement at any stage, we will charge abortive fees equivalent to 70% of the total Professional Fees for the Valuation.

In accordance with clause 10.5 of the General Terms, if SKF is instructed to provide services beyond the scope of this Agreement, such additional services shall be provided by SKF at rates to be mutually agreed in writing with the Client.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the lead valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

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22. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and / or refrain from discussing it with you until this Letter has been countersigned and returned.

Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and / or the terms of the Agreement, please let us know before signing this Letter.

Thank you for choosing Santos Knight Frank, Inc. and we look forward to working with you on this important engagement.

Sincerely,

For and on behalf of
SANTOS KNIGHT FRANK, INC.

MABEL I. LUNA, CFC®
Director & Head of Valuations
Mabel.Luna@santos.knightfrank.ph
M (63-917) 865 3712

Approved and Agreed to by:
MREIT, INC.

KEVIN ANDREW L. TAN
President and Chief Executive Officer
Date ______________________

Noted by:

CELIA N. ROCAMORA
Operations Director

Proposal for Valuation Service: MREIT, INC. [illegible]
[illegible] May 2021 Page [illegible] of 14

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Appendix 3 - General Terms of Business

General Terms of Business for Valuation Services

These General Terms of Business (the "**General Terms**") and our Letter of Engagement (the "**Letter**"), together form the agreement between you and us (the "**Agreement**"). References to "**you**", "**your**" etc. are to persons or entities who are our client and, without prejudice to clauses 3 and 4 below, to any persons purporting to rely on our Valuation.

Unless **the** context otherwise requires, all other terms and expressions used but not defined herein shall have the meaning ascribed to them in the Letter.

When used herein or in the Letter, the term "**Valuation**" shall mean any valuation report, advance report, supplementary report or subsequent/update report, produced pursuant to our engagement and any other replies or information we produce in respect of any such report and/or any relevant property. Any words following the terms "**including**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

All of the terms set out in these General Terms shall survive termination of the Agreement.

1. Santos Knight Frank, Inc.

1.1. Santos Knight Frank, Inc. ("**Santos Knight Frank**", "**our**", "**us**", "**we**") is a Philippine corporation with Securities and Exchange Commission (SEC) Registration Number A199818549.

1.2. Our registered office is at 10/F Ayala Tower & Exchange Plaza, Ayala Avenue, Makati City where a list of members may be inspected.

1.3. Any representative of Santos Knight Frank, Inc. described as *Director* is either a member or an employee of Santos Knight Frank, Inc. and is not a member of the Board of Directors. The term *Director* has been retained because it is an accepted way of referring to senior professionals. The term "**Santos Knight Frank Person**" shall, when used herein, mean any member, employee, or consultant of Santos Knight Frank, Inc.

1.4. Our Tax Identification Number (TIN) is 201-626-570-000.

1.5. The details of our professional indemnity insurance will be provided to you on request.

1.6. Santos Knight Frank, Inc., being a corporation, is regulated by the Philippine Securities and Exchange Commission (SEC). It is also an SEC-accredited asset valuer. In accordance with reportorial filings with the SEC, it may be necessary to disclose valuation files to them. By instructing us, you give us your permission to do so. Where possible we will give you prior notice before making any such disclosure, although, this may not always be possible. We will use reasonable endeavours to limit the scope of any such disclosure and to ensure any disclosed documents are kept confidential.

1.7. Valuations will be carried out in accordance with the 2019 edition of the International Valuation Standards (IVS) by valuers who conform to its requirements and with regard to relevant statutes or regulations. Our senior valuers are Real Estate Appraisers licensed and regulated by the Philippine Professional Regulation Commission (PRC).

2. Governing law and jurisdiction

2.1. The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation or any Valuation shall be governed by and construed in accordance with Philippine laws.

2.2. Philippine courts shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation or any Valuation. This will apply wherever the relevant property or the client, or any relevant third party, is located or the service is provided.

3. Limitations on liability

3.1. Subject to clause 3.7, our maximum total liability in connection with or arising out of this Agreement and/or its subject matter and/or the Valuation is limited to our total service fees as set out in the Letter.

3.2. Subject to clause 3.7, we will not be liable for any loss of profits or for indirect or consequential loss or damages.

3.3. Subject to clause 3.7, any limitation on our liability will apply however such liability is or would otherwise have been incurred, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise.

3.4. Except as set out in clauses 3.5 and 4.7 and 4.8 below, no third party shall have any right to enforce any of the terms of this Agreement.

3.5. No claim arising out of or in connection with this Agreement may be brought against any Santos Knight Frank Person. Those individuals will not have a personal duty of care to you or any other person and any such claim for losses must be brought against Santos Knight Frank, Inc. Any Santos Knight Frank Person may enforce this clause but the terms of this Agreement may be varied by agreement between the client and Santos Knight Frank, Inc. at any time without the need for any Santos Knight Frank Person to consent.

3.6. No claim, action or proceedings arising out of or in connection with the Agreement and/or any Valuation shall be commenced against us after the expiry of the earlier of (a) two years from the Valuation Date (as set out in the relevant Valuation) or (b) any limitation period prescribed by law.

3.7. Whether or not specifically qualified by reference to this clause, nothing in the Agreement shall exclude or limit our liability in respect of fraud, or for death or personal injury caused by our negligence or negligence of those for whom we are responsible, or for any other liability to the extent that such liability may not be so excluded or limited as a matter of applicable law.

4. Purpose, reliance and disclosure

4.1. The Valuation is prepared and provided solely for the stated purposes. Unless expressly agreed by us in writing, it cannot be relied upon, and must not be used, for any other purpose and, subject to clause 3.7, we will not be liable for any such use.

4.2. Without prejudice to clause 4.1 above, the Valuation may only be relied on by our Client. Unless expressly agreed by us in writing the Valuation may not be relied on by any third party and we will not be liable for any such purported reliance.

4.3. Subject to clause 4.4 below and for the stated purposes, the Valuation is confidential to our Client and must not be disclosed, in whole or in part, to any third party without our express written consent (to be granted or withheld in our absolute discretion). No liability is accepted to any third party for the whole or any part of any Valuation disclosed in breach of this clause.

4.4. Our appraisers are not required to give testimony or attendance in court by reason of this Valuation with reference to the property in question, unless arrangements have been previously made.

4.5. Except for the stated purposes, neither the whole nor any part of the Valuation and/or any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any website) without our prior written consent and approval of the form and context in which it may appear.

4.6. Where permission is given for the publication of a Valuation, neither the whole nor any part thereof, nor any reference thereto, may be used in any publication or transaction that may have the effect of exposing us to liability for actual or alleged violations of SEC Memorandum Circular No. 2, series of 2014 (Guidelines on Asset Valuations) or Republic Act No. 8799 (Securities Regulation Code), as amended and its Implementing Rules and Regulations.

4.7. You agree that we, and/or any Santos Knight Frank Person, may be irreparably harmed by any breach of the terms of this clause 4 and that damages may not be an adequate remedy. Accordingly, you agree that we and/or any Santos Knight Frank Person may be entitled to the remedies of injunction or specific performance, or any other equitable relief, for any anticipated or actual breach of this clause 4.

4.8. You agree to indemnify and keep fully indemnified us, and each relevant Santos Knight Frank Person, from and against all liabilities, claims, costs (including legal and professional costs), expenses, damages and losses arising from or in connection with any breach of this clause 4 and/or from the actions or omissions of any person to whom you have disclosed (or otherwise caused to be made available) our Valuation otherwise than in accordance with this clause 4.

5. Knight Frank network

5.1. Santos Knight Frank, Inc. is a member of an international network of independent firms which may use the "Knight Frank" name and/or logos as part of their business name and operate in jurisdictions outside the Philippines (each such firm, an "**Associated Knight Frank Entity**").

5.2. Unless specifically agreed otherwise, in writing, between you and us: (i) no Associated Knight Frank Entity is our agent or has authority to enter into any legal relations and/or binding contracts on our behalf; and (ii) we will not supervise, monitor or be liable for any Associated Knight Frank Entity or for the work or actions or omissions of any Associated Knight Frank Entity, irrespective of whether we introduced the Associated Knight Frank Entity to you.

5.3. You are responsible for entering into your own agreement with any relevant Associated Knight Frank Entity.

5.4. This document has been originally prepared in the English language. If this document has been translated and to the extent there is any ambiguity between the English language version of this document and any translation thereof, the English language version as prepared by us shall take precedence.

6. Severance

If any provision of the Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable and, to the greatest extent possible, achieves the intended commercial result of the original provision. If express agreement regarding the modification or meaning or any provision affected by this clause is not reached, the provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. Any modification to or deletion of a provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

7. Entire agreement

7.1. The Agreement, together with any Valuation produced pursuant to it (the Agreement and such documents together, the "**Contractual Documents**") constitute the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

7.2. Subject to clause 3.7 above, you agree that in entering into the Agreement you do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not expressly set out in the Contractual Documents. You further agree that you shall have no claim for innocent or negligent misrepresentation based on any statement set out in the Contractual Documents.

7.3. The Letter and these General Terms shall apply to and be incorporated in the contract between us and will prevail over any inconsistent terms or conditions contained or referred to in your communications or publications or which would otherwise be implied. Your standard terms and conditions (if any) shall not govern or be incorporated into the contract between us.

7.4. Subject to clause 3.7 and clause 6, no addition to, variation of, exclusion or attempted exclusion of any of the terms of the Contractual Documents will be valid or binding unless recorded in writing and signed by duly authorised representatives on behalf of the parties.

8. Assignment

8.1. You shall not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of the rights and obligations under the Agreement without our prior written consent (such consent to be granted or withheld in our absolute discretion).

9. Force majeure

9.1. Neither party shall be in breach of this Agreement nor liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure results from events, circumstances or causeswhich could not be foreseen, or which, though foreseen, were inevitable.

10. Our fees

10.1. Without prejudice to clause 10.3 below, you become liable to pay our fees upon issuance of the Valuation. For the avoidance of doubt, unless expressly agreed otherwise in writing, the payment of our fees is not conditional on any other events or conditions precedent.

10.2. If any invoice remains unpaid after 30 days of the date on which it is presented, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 3%

10.3. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

10.4. If an appraisal analysis is ordered and the assignment is cancelled before completion, we reserve the right to receive compensation, by way of damages, in an amount equal to 70% of the total fee for the assignment.

10.5. If you delay the instruction by more than 30 days or materially alter the instruction so that additional work is required at any stage or if we are instructed to carry out additional work that we consider (in our reasonable opinion) to be either beyond the scope of providing the Valuation or to have been requested after we have finalised our Valuation (including, but not limited to, commenting on reports on

title), we will charge additional fees for this work. Such additional fees will be calculated on the basis of a proportion of the total fee by reference to reasonable time and expenses incurred.

10.6. Where we agree to accept payment of our fees from a third party, such fees remain due from you until payment is received by us.

11. Anti-bribery and corruption and Anti-Money Laundering

We agree that throughout the term of our appointment we shall:

(a) comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and corruption and Anti-Money Laundering laws (the "**Relevant Requirements**");

(b) not engage in any activity, practice or conduct which would constitute an offense;

(c) maintain anti-bribery, anti-corruption, and anti-money laundering policies to comply with the Relevant Requirements and any best practice relating thereto; and

(d) promptly report to you any request or demand for any undue financial or other advantage of any kind in connection with the performance of our services to you.

12. Portfolios

Properties comprising a portfolio, unless specifically agreed with you otherwise, will be valued separately and upon the assumption that the properties have been marketed individually and in an orderly manner.

13. Land Register inspection and searches

We are not required to undertake searches, validations or inspections of any kind for title or price paid information in any publicly available land registry.

14. Title and burdens

We will assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.

15. Disposal costs and liabilities

No allowance is made in our Valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our Valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges, including commissions.

16. Sources of information

We rely upon the information provided to us by you, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our Valuations. Legal descriptions, including leases, information, maps, signed or unsigned surveys, estimates and opinions furnished or made available to the appraiser and contained in this study were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy and legality of such items furnished can be assumed by the appraiser.

17. Identity of property to be valued

We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

18. Boundaries

Any maps or plot plans reproduced and included in the report are intended only for the purpose of showing spatial relationship. They are not necessarily measured surveys or measured maps, and we will not be responsible for topographic or surveying errors. The appraiser has made no survey of the property. No liability will be assumed for soil conditions, bearing capacity of the subsoil or for engineering matters related to proposed or existing structures.

19. Planning, highway and other statutory regulations

19.1. Enquiries of the relevant planning and highways authorities in respect to matters affecting properties, where considered appropriate, are normally only obtained from the corresponding government agency. We can only state whatever current conditions may be. We recommend that formal written enquiries should be undertaken by your lawyers who should also confirm the position with regard to any legal matters referred to in our Valuations.

19.2. It is assumed that all applicable zoning and use regulations have been complied with, unless a nonconformity is stated, defined and considered in the study. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative, regulatory, or administrative authority from the Philippine government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this study is based.

19.3. We assume that the premises comply with all relevant statutory requirements including environmental, building, fire, and sanitation regulations.

20. Property insurance

Our Valuation assumes that each property would, in all respects, be insurable against all identifiable risks.

21. Building areas and age

Where so instructed, areas provided from a quoted source will be relied upon. Any dimensions and areas measured on location or from plan/s are calculated and are quoted to a reasonable approximation, with reference to their source. Where the age of the building is estimated, this is for guidance only.

22. Structural condition

Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal scope of a valuation. Since we will not have carried out any of these investigations, we are unable to report that any property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report provided to us in advance, or any defects or items of disrepair of which we are advised or which we note during the course of our ocular inspections but otherwise assume properties to be free from defect.

23. Ground conditions

Unless informed otherwise in writing, we assume there to be no adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

24. Environmental issues

24.1. Investigations into environmental matters by suitably qualified environmental specialists would usually be commissioned by most responsible purchasers or chargees of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Where we are provided with the

conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our Valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

24.2. However, we are not environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination or any other environmental searches. If we are not provided with the results of appropriate investigations as outlined above and where there is no obvious indication of harmful contamination, our Valuation will be provided on the assumption that the relevant property is unaffected. Where we are informed that contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the Valuation will be qualified only by reference to it.

25. Minerals, timber, airspace etc.

Unless specifically agreed otherwise in writing and so stated within the main body of the relevant Valuation, we do not value or attempt to value or take into account any potential income stream or other beneficial or detrimental effect or other factor relating to undiscovered or unquantified mineral deposits, timber, airspace, sub-ground space or any other matter which would not be openly known in the market and considered to have value.

26. Legal advice

26.1. We are appointed to provide valuation opinion(s) in accordance with our professional duties as Appraisers. The scope of our service is limited accordingly. The valuation assumes no responsibility for the validity of legal matters affecting the property. It is not the intent of the valuation to offer a legal opinion of title. Any liens or encumbrances which may now exist have been disregarded. We are not qualified legal practitioners and we do not provide legal advice and any statements made by us, or advice given, in a legal context should be construed accordingly.

26.2. Where appropriate we will liaise with your legal advisors. However, we accept no responsibility for any work carried out by them and we will not be liable for anything contained in legal documentation prepared by them.

26.3. Where we consider it is necessary for the provision of the Valuation and/or specifically agree to do so, and any additional fees we require for this work are agreed, we will read legal documents (including leases, licences etc.), however, (save for any comment concerning the impact of our interpretation of such documents on value) our interpretation of such documents cannot be relied upon to be legally correct. Where we do interpret legal documents, we will, for the purposes of providing our Valuation, assume our interpretation to be correct.

27. Loan security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

28. Build cost information

In the provision of valuation services we do not hold ourselves out to have expertise in assessing build costs. Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. The Valuation will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. Build costs produced using this approach must be assumed to be unreliable or inaccurate; any reliance which can be placed upon our Valuation in these circumstances is severely restricted. Specialist professional advice on the build costs should be sought by you. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our Valuation.

29. Reinstatement assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If an indication is required as a check against the adequacy of existing cover this should be requested and will be so stated in the body of the relevant Valuation. Any indication given is provided for guidance only and must not be relied upon as the basis for insurance cover. In any event, our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be reconsidered.

30. Comparable evidence

Where comparable evidence information is included in our Valuation, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe it or where it was in accordance with our expectation. In addition, we have not inspected comparable properties.

31. Valuation bases

Valuations are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions. The basis of valuation will be agreed with you and specified in the Letter and in the relevant Valuation.

<u>Important Notice</u>

If you have any queries relating to this Agreement please let us know as soon as possible, and in any event before signing the Letter and/or giving us instructions to proceed.

Your instructions to proceed, preferably signing on the space provided for under the Letter, will constitute your acceptance to use our services on the terms of the Agreement.

Accordingly, our commencement of work pursuant to your instructions shall constitute acceptance of your offer and as such establish the contract between us on the terms of the Agreement.

Appendix 4 - Valuation Calculation (Income Approach - DCF)

MREIT, INC.
as of 31 March 2021

PROPERTY NAME	:	**ONE TECHNO PLACE**
PROPERTY ADDRESS	:	Megaworld Blvd., Iloilo Business Park, Brgy. Abeto Mirasol, Mandurriao, Iloilo City

		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.00	Terminal Year
		Apr 2021 - Dec 2021	Jan 2022 - Dec 2022	Jan 2023 - Dec 2023	Jan 2024 - Dec 2024	Jan 2025 - Dec 2025	Jan 2026 - Dec 2026	Jan 2027 - Dec 2027	Jan 2028 - Dec 2028	Jan 2029 - Dec 2029	Jan 2030 - Dec 2030	Jan 2031 - Mar 2031	Jan 2032 - Dec 2032
INCOME REVENUES													
Office Leasing Revenues		44,850,276	60,870,328	63,935,554	67,267,223	70,778,964	74,481,130	78,025,646	82,106,468	86,409,286	90,946,993	23,448,526	95,882,411
Less: Vacancy Allowance		897,006	608,703	639,356	672,672	707,790	744,811	780,256	821,065	864,093	909,470	234,485	958,824
Net Leasing Revenues		43,953,271	60,261,624	63,296,199	66,594,550	70,071,174	73,736,318	77,245,390	81,285,404	85,545,193	90,037,523	23,214,040	94,923,587
OPERATING COSTS & EXPENSES													
Direct Operating Expenses													
Association Dues		241,066	160,418	160,418	160,418	160,418	160,418	160,418	160,418	160,418	160,418	39,885	160,418
Real Property Taxes		241,062	320,832	320,832	320,832	320,832	320,832	320,832	320,832	320,832	320,832	79,770	320,832
Land Lease		-	-	791,202	1,664,864	2,627,669	3,686,816	3,862,270	4,064,270	4,277,260	4,501,876	1,160,702	4,746,179
Other Operating Expenses													
General and Admin Expense		439,533	602,616	632,962	665,946	700,712	737,363	772,454	812,854	855,452	900,375	232,140	949,236
TOTAL COSTS & EXPENSES		921,660	1,083,866	1,905,414	2,812,059	3,809,630	4,905,429	5,115,973	5,358,374	5,613,961	5,883,501	1,512,497	6,176,665
NET OPERATING INCOME		43,031,611	59,177,758	61,390,784	63,782,491	66,261,543	68,830,890	72,129,417	75,927,030	79,931,231	84,154,022	21,701,543	88,746,922
CAPEX		1,318,598	1,807,849	1,898,886	1,997,837	2,102,135	2,212,090	2,317,362	2,438,562	2,566,356	2,701,126	696,421	
NOI after CAPEX		41,713,013	57,369,910	59,491,898	61,784,655	64,159,408	66,618,800	69,812,055	73,488,468	77,364,876	81,452,896	21,005,122	
Discount Rate/ Present Worth Factor	9.0%	0.94	0.86	0.79	0.72	0.66	0.61	0.56	0.51	0.47	0.43	0.42	
Present Worth of Cashflows		39,097,641	49,332,902	46,933,596	44,717,769	42,602,330	40,582,922	39,016,691	37,680,157	36,392,412	35,151,758	8,872,790	
Total Present Worth of Cashflows		420,380,969											
Terminal Value of Property at 11Y	5.0%	1,774,938,444											
Discounted at	0.42	749,753,180											

TOTAL PROPERTY VALUE	**1,170,134,149**
Rounded to, say	**1,170,000,000**

PROFESSIONAL PROFILE

WENCESLAO D. FUENTES, JR.
Director

T 632.752.2580

F 632.752.2571

Bong.Fuentes@santos.knightfrank.ph

Bong D. Fuentes, Jr. is a Director of Santos Knight Frank, Inc. under the Valuations Group. His major functions include scheduling, monitoring, and overseeing the various engagements of the Group, and also supervises the valuation pertaining to Plant and Machinery. He also has parallel involvement in Real Property appraisal, being a Licensed Real Estate Appraiser. Other responsibilities include business development for corporate and financial institution accounts.

Prior to joining Santos Knight Frank, Inc., Bong was involved with other appraisal companies like Sallmanns Phil., Inc. and Asian Appraisal Company, Inc. where he started his appraisal career. He was also involved with financial institutions like Bank of the Philippine Islands (BPI) and the former Far East Bank & Trust Company. His experience in his field spans a period of almost twenty-one (21) years, and he has handled appraisal/valuation studies for all types of Plant and Machinery and Real Property Valuation in the Philippines. His experience in the valuation of Plant Machinery include assignments in the People's Republic of China (PROC), Hong Kong, United Arab of Emirates, Malaysia and Thailand.

- Member, Philippine Society of Mechanical Engineers-Manila Chapter
- Member, Philippine Association of Realty Appraisers
- Mechanical Engineer, PRC Registration No. 34962
- Real Estate Appraiser, PRC Registration No. 422
- Bachelor of Science in Mechanical Engineering, Polytechnic University of the Philippines

PROFESSIONAL PROFILE

JACQUELINE T. GUERTA

Director

T 632.752.2580

F 632.752.2571

Jacq.Guerta@santos.knightfrank.ph

Jacqueline T. Guerta is a Director of Santos Knight Frank, Inc. under the Valuations Group. She is mainly responsible for handling intangible/business valuation instructions which also include valuing shares of stock, goodwill, and the like, as well as valuing real estate assets, being also a Licensed Real Estate Appraiser.

Prior to joining Santos Knight Frank, Inc., Ms. Guerta was involved with Colliers International Philippines, Inc. as a Valuation Manager. She primarily handled real estate and business valuation instructions for both local and international companies. She started her 20 year career in real estate as a Research Analyst for Cuervo Far East, Inc. While with Cuervo, she handled research and consulting requirements for the company's valued clients.

- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- PRC Registration No. 949
- Certificate in Real Estate Investment Finance, Asia Pacific Real Estate Association (APREA) Institute
- Masters in Business Administration, Ateneo de Manila Graduate School of Business
- Bachelor of Arts in Social Sciences, Ateneo de Manila University

PROFESSIONAL PROFILE

JESUS CONSTANCE M. CASTRO

Associate Director

T 632.752.2580

F 632.752. 2571

Jesus.Castro@santos.knightfrank.ph

Jesus Constance M. Castro is an Associate Director of Santos Knight Frank under the Valuations Group. Being a Licensed Real Estate Appraiser, he helps handle and supervise the Real Estate Appraisers of the Company, and helps formulate valuation policies and procedures in the department.

Prior to joining Santos Knight Frank, Mr. Castro was involved with General Appraisal Company (Phils.), Inc.. He started there as staff appraiser sometime in 1995. Through the years, he has gained vast experience in real estate valuation and attended several appraisal seminars enhancing his professional advancement. He held the position of Vice President – Real Estate Division at the time of his resignation with General Appraisal Company (Phils.), Inc.. During his more than 20 years experience in his field, he has been involved in property valuation projects concerning different types of real estate properties as well as different industries such as semi-conductors, power generation, textile and garments, steel, mining, cement, transportation, food and beverages and telecommunications and had likewise gained expansive experience in personnel management and development of client relations. He is now currently expanding his expertise by being involved in business valuation, as well as light machinery and equipment valuation.

- Member, Philippine Institute of Civil Engineers (PICE)
- Member, Phil. Association of Realty Appraisers, Inc. (PARA)
- Real Estate Appraiser PRC Registration No. 423
- Licensed Civil Engineer PRC Registration No. 73151
- Bachelor of Science in Civil Engineering, University of Sto. Tomas

PROFESSIONAL PROFILE

RAYMOND F. DECHAVEZ

APPRAISER

T 632.752.2580

F 632.752.2571

Raymond.dechavez@santos.knightfrank.ph

Raymond F. Dechavez is one of the Appraisers under the Valuations Group of Santos Knight Frank, Inc., responsible for handling Real Estate Valuation assignments of the Company.

Prior to joining Santos Knight Frank, Inc., Mr. Dechavez was involved with Manila Banking Corporation and China Banking Corporation. He started with Manila Bank in 2003 as Credit Inverstigator/Appraiser then got promoted as full time Appraiser in 2005. After Manila Bank was acquired by China Bank sometime 2007, he stayed and worked with China Bank until 2009. During his almost six (6) years' experience in his field, he has gained vast experience in real estate valuation project concerning all types of real estate properties including residential properties, commercial estate, farm estate and industrial estate.

Bachelor of Science in Business Administration Major in Management, Pamantasan ng Lungsod ng Maynila

ANNEX 3-B

ASSUMPTIONS USED BY SKF IN VALUATION REPORTS

ASSUMPTIONS USED BY SKF IN VALUATION REPORTS

Briefly describing the valuation method used, the Income Approach is based on the premise that the value of properties is directly related to the income they generate. This approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the Properties. The Income Approach is considered appropriate for valuing investment properties, as it mirrors the analysis of typical investors.

Under the Income Approach, the Discounted Cash Flow Analysis was adopted, briefly described below.

Discounted Cash Flow Analysis is a form of analysis that allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Lease income from the office and retail units including car parking income (when applicable) were incorporated in the cash flows.[1] From this figure, outgoing expenditures, property taxes, and general admin expenses were deducted. The resultant 10-year net income was discounted while the 11th year cashflow was capitalized to represent the capitalized income of the property beyond the 10-year projection. The adopted yield reflects the nature, location and tenancy profile of the property together with current market investment criteria.

In using the Discounted Cash Flow or DCF Analysis for our methodology, it was considered that the discounted cash flow, or DCF, valuation is the most popular fundamental approach in valuing the future economic benefits of a projected income stream. DCF measures actual yield rather than paper income for the asset/business owner and the analysis of DCF is widespread and mandatory in the various fields of business making DCF-based valuation ideal. The following are the assumptions used:

- Cashflow projections for all properties start in 2021 and runs for a period of 10 years;
- Income on 11th year was capitalized to compute for the Terminal Value of the properties;[2]

[1] As provided by the Company, with the exception of Richmonde Tower and Hotel Iloilo, the Properties transferred to the Company pursuant to the Property-for-Share Swap did not include parking units in such Properties. Considering that the properties are located within townships, the Sponsor's strategy is to retain consolidated operations of the parking spaces in order to achieve better economic value through economies of scale. Further, all building tenants will have equal opportunity to use these parking spaces, without MREIT carrying the operational and logistical burden associated with the parking operations on a per property basis. Except for the 500 sqm parking space in Richmonde Iloilo, all parking spaces are owned and will be operated by the Sponsor.

[2] The Terminal Value of the properties is the value of the properties beyond the explicit forecast period. Rental gains projection is pegged at 10 years while the 11th year rental gain is used to estimate the Terminal Value of the property. It is assumed that the property or business will continue to generate cashflows in perpetuity.

T: +632 752 25 80 • F: +632 752 2571
10th Floor Ayala Tower One & Exchange Plaza, Ayala Avenue, Makati City 1226 Philippines
www.santosknightfrank.com

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- Average occupancy rates used were based on what the properties achieved historically and what they are perceived to achieve in the future;

- Escalation rates used were from the contracted leases and were projected using the average historical growth achieved by each property;

- CAPEX is assumed to be 3% of net leasing revenues;[3]

- Expenses were projected using average percentage allocation based on 4-year historical and 4-year projected income statements;

- Discount Rate used was 9%;[4]

- Capitalization Rates are 4.5% for Metro Manila and 5% for the Iloilo Properties.

The present worth factors were not rounded-off but the figures presented in the report are limited only to the hundredths place up to the first two decimal places. Thus, a user's own computation using the amount presented in the report may cause some difference.

Valuation Date is as of 31 March 2021. Relevant information such as tenancy configuration and rent rolls for income generating assets among others as of the valuation date were provided to us.

Signatures

For and on behalf of
SANTOS KNIGHT FRANK, INC.

JACQUELINE T. GUERTA, CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 949
Date Issued and Validity: 07/19/2011 - 05/04/2023
PTR No. 8533466 - 01/05/2021; Makati City
TIN 901-308-499

WENCESLAO D. FUENTES, JR., CPV®
Director
Licensed Real Estate Appraiser
PRC Reg. No. 422
Date Issued and Validity: 08/20/2020 - 04/15/2023
PTR No. 8533463 - 01/05/2021; Makati City
TIN 117-704-257

[3] As provided by the Company, inasmuch as the assets are recently refurbished, the Company does not anticipate any major CAPEX soon. In view thereof, the CAPEX rate of 3% is a matter of industry practice.

[4] As discussed in the Valuation Reports, the Discount Rate was computed using the Build-up Method which is one of the appropriate methods based on International Valuation Standards (IVS) 2019. Based on IVS 2019, IVS 105 Valuation Approaches and Method Section 50.30, valuers may use any reasonable method for developing a discount rate. While there are many methods available, this section mentioned a list of common methods which includes the following: Capital Asset Pricing Method (CAPM), Weighted Average Cost of Capital (WACC), observed or inferred rates/ yields and Build-up Method. For this valuation exercise, the Discount Rate used was derived using the Build-up Method.

T: +632 752 25 80 • F: +632 752 2571
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ANNEX 4

OFFICE MARKET RESEARCH REPORT

LEECHIU PROPERTY CONSULTANTS

Office Market Research Report

Project RISE

June 10, 2021

June 10, 2021

Mr. Kevin Andew L. Tan
Chief Strategy Officer and Executive Vice President
MEGAWORLD CORPORATION

Subject: Office Property Market Research for the Proposed Real Estate Investment Trust Offering (The PROJECT)

Dear Mr. Tan:

With reference to your instructions received on May 20, 2021, we have prepared the Metro Manila and Iloilo Office Property Market Research (the "Project") for your perusal. As we understand, this report will serve as an attachment to the REIT Plan and submission to the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The market report is enclosed herewith.

Thank you.

Sincerely,

ROY AMADO L. GOLEZ JR.
Director-Research
Leechiu Property Consultants Inc.

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EXECUTIVE SUMMARY

1.1. PHILIPPINE MACRO ECONOMY

The Philippine economy has been one of the fastest-growing among the Southeast Asian countries prior to the COVID-19 pandemic. From 2015 to 2019, the country achieved one of the highest real Gross Domestic Product (GDP) growth rate in the region, averaging 6.5 percent per annum for the five-year period; outpaced only by the frontier economies of Vietnam, Cambodia, and Myanmar.

Despite the inevitable GDP contraction in 2020 due to prolonged quarantine measures to contain COVID-19 pandemic, the Philippine economy is set for a strong recovery this year following the rebound in the global economy and the improvement in domestic activity. The country has also remained stable, and there has been no civil disturbance nor political instability whereas other countries including western nations have experienced large scale social protests from citizens. The national government's economic team has also dropped interest rates to allow loans to remain current.

We see the general situation to recover significantly with the surge of vaccine arrivals and a successful implementation of the vaccination program. This will allow Filipinos to go back to their offices, go out and socialize in malls, eat out in restaurants, and travel for recreation locally.

1.2. KEY REGULATIONS/POLICIES GOVERNING THE OFFICE PROPERTY MARKET

The **Philippine Economic Zone Authority (PEZA**) is an agency of the Department of Trade and Industry (DTI) created to promote investments into the Philippines. Businesses which are registered and accredited under PEZA are entitled to fiscal and non-fiscal incentives. Information Technology and Business Process Management (IT-BPM) companies prefer locating in PEZA-accredited buildings to avail of these incentives.

In June 2019, **Administrative Order No. 18** was signed by the President Rodrigo Duterte with the aim of pushing investments in dollar earning manufacturing and IT-BPM outside of Metro Manila. By halting the registration of economic zones within Metro Manila, the national government hopes that investments will be boosted in new ecozones in the provinces. This moratorium on new PEZA registrations in Metro Manila limits the existing PEZA space in the metropolis enabling existing PEZA accredited spaces to command a rent premium. The declining supply of PEZA spaces in Metro Manila has partly encouraged IT-BPM firms to look at the larger metropolitan cities in the provinces for viable sites of operations.

Republic Act (RA) No. 9856, or "The Real Estate Investment Trust Act of 2009." was enacted to encourage the participation of Filipinos in the ownership of real estate in the Philippines, and to help companies finance and develop real estate related

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projects in the country. However, REITs in the Philippines were not embraced until the law was amended in 2020 to address the issues that potential issuers faced.

REIT investors are generally only subjected to a final tax of 10 percent on dividends received from REITs, unless – the dividends are received by a non-resident alien individual, or a nonresident foreign corporation entitled to claim a preferential withholding tax rate of less than 10 percent pursuant to an applicable tax treaty; or the dividends are received by a domestic corporation or resident foreign corporation.

1.3. OVERVIEW OF PHILIPPINE OFFICE PROPERTY MARKET

In the last five years pre-COVID, the Philippine real estate market had been growing tremendously, allowing developers to generate cashflows thereby encouraging developers to build more in the country. More importantly, real estate developers have been able to grow and create substantial value from the increase of land value and other real estate assets. The continuous growth of the IT-BPM sector and the emergence of the Philippine Online Gaming Operators (POGO) sector made the Philippine office market one of the biggest and best performing in Asia. Total office space has since grown to 15.6 million square meters nationwide.

The tremendous growth in the Philippine office market has been driven primarily by demand for office space in Metro Manila. In search for a viable supply of employees and in order to lower costs, business hubs and Central Business Districts (CBDs) have emerged outside Metro Manila. These are primarily located in the largest cities of the different regions.

The ever-growing IT-BPM industry and its shift outwards has significantly impacted development in the provinces as the national government moves to provide support. Information Communications and Technology (ICT) councils were formed by the Local Government Units (LGUs) to encourage and ease the move in of Business Process Outsourcing (BPO) companies to their respective towns and cities. The efforts of the national government to implement urban and infrastructure projects has attracted investments in these provincial districts.

The momentum generated by the development of office districts nationwide has encouraged real estate developers to build more office spaces and residential condominiums. And while the COVID-19 pandemic has slowed down or delayed construction of some of these buildings, the pipeline of projects in construction has remained intact. Rent advances and deposits by tenants have also allowed office landlords to sustain operations despite the lockdown and office closures, thus real estate developers were in a strong fiscal position when the crisis hit. Investor sentiment is also seen to improve with the CREATE Act and the massive rollout of vaccines.

The Philippine office supply will grow by 4.8 million square meters in the next 6 years. This is an increase of 32 percent from the current supply. Of that pipeline supply, 3.5 million square meters are in Metro Manila and 1.2 million square meters of the new

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supply will be in the provincial districts. Next to Metro Manila, Cebu is the second largest producer of office space, adding 450,000 square meters. Iloilo is expected to add 2.0 percent of the upcoming supply following the emergence of the province as a key business hub in the Visayas region.

Metro Manila holds most of the office stock in the country in the core traditional CBDs of Ortigas Center, Bonifacio Global City (BGC), and Makati. These core CBDs are centers of economic activity where large multinational and local conglomerates have set up their offices.

Micromarkets have also developed within the major cities in Metro Manila. These are the master-planned township developments such as Eastwood City in Quezon City and McKinley Hill in Taguig City. These micromarkets are 24/7 live, work, play environments with residential, retail and office towers in a secure environment typically catering to a distinct set of tenants and employees. The 24/7 township concept pioneered by Megaworld has become highly relevant during the COVID-19 pandemic as the value of convenience and being near key support establishments became evident.

In recent years, master-planned townships have become viable areas of growth for office locators outside of Metro Manila. These growth areas, classified by the IT and Business Process Association of the Philippines (IBPAP) as “Next Wave Cities” have become alternative investment hubs. Examples of these “Next Wave Cities” that have grown into key regional hubs in the country include the likes of Iloilo City, Cebu City, and Davao City. Several locations within the provinces of Pampanga and Cavite have also increased in stature as potential business hubs.

Three developers namely Megaworld, Ayala Land, and SM Prime, account for more than 20 percent of the current Gross Leasable Area (GLA) of the total office market in the country. As of December 31, 2020, Megaworld is the largest developer and owner of office buildings in the Philippines with a total GLA of 1.4 million square meters.

The resiliency in the office market is evident in that most of the contractions are only in the POGO sector. Because of the COVID-19 pandemic, companies in western countries have also increasingly looked to cut costs by outsourcing customer service related support into the Philippines. IT-BPM companies have also started to look at and pick up the PEZA spaces vacated by the POGO companies.

The opening up of travel from abroad and the upcoming regulatory clearance on taxation is seen to allow POGO operations to resume to pre-COVID levels. The online gaming industry goes beyond China as the offshore gaming market covers gamblers from around the world. This industry’s comeback is expected to easily soak up the vacant spaces from the rest of the market.

Office lease rates have remained relatively stable across the major Metro Manila CBDs despite the pandemic’s effects on locators. Rates of PEZA-accredited buildings are expected to hold at current levels with sustained demand from the IT-BPM companies.

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The moratorium on new PEZA registrations in Metro Manila which limits supply of new PEZA space will also enable existing PEZA-accredited buildings to command a higher rent versus market.

The softening in the market was only caused by exiting POGO operators within the POGO hotspots of Bay Area and Alabang. These areas experienced pre-terminations and downsizing which resulted to drops in rents.

However, outside Metro Manila, key areas such as Cebu, Clark/Pampanga, Iloilo, and Laguna continue to hold the highest rents. This can be attributed to the quality and availability of buildings specifically targeting the IT-BPM locators. A critical mass of PEZA space and acceptance by locators has made these locations as attractive business hubs. These areas, especially Iloilo, are the prime suppliers of qualified BPO or call center employees.

One year into the health crisis, we have seen companies slowly adapt to the impact of the COVID-19 pandemic. Programs and approaches for a safer work environment are now available and being implemented. We see more companies bringing back employees to the offices. We expect the big real estate wave to recover and go back up as employees return and POGOs start to operate again.

1.4. *IMPACT OF COVID-19 ON THE PHILIPPINE REAL ESTATE OFFICE LEASING MARKET*

The uncertainties brought by the COVID-19 pandemic made office occupiers take a conservative approach on decisions for expansion as well as re-evaluate their office space portfolio. Nevertheless, the IT-BPM industry continued to expand amidst the pandemic and continues to be the key driver of office demand. Take up from all other occupiers are seen to resume once office space use and density requirements imposed by the IATF are loosened and when public transport is allowed to operate.

In the long run, large occupiers will continue to take up office space in Metro Manila. Provincial business districts will see recovery when local economies open up. These locations are also recipients of demand created from the current trend of more companies studying the adoption of a hub-and-spoke model for their office space requirements to ensure business continuity amidst potential disruptions in the future.

The work-from-home setup is only seen as a temporary measure and employees will eventually be asked to come back to the office. There are numerous issues that employees working from home face. One of the key challenges of a remote working arrangement is the inadequate internet infrastructure in the Philippines. Other key factors facing employers and employees, particularly in the IT-BPM industry, would be data security concerns, quality control and oversight issues, work-from-home fatigue given the extended work-from-home arrangements, lack of conducive working spaces

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as many employees live in shared spaces with not much room to work alone, and frequent power outages given the intermittent power supply issues of the country.

Aside from these factors, PEZA will require PEZA-registered firms availing of incentives to start moving their WFH employees back to their respective offices. The current deadline for the WFH exemption is September 2021. This is seen to be a major push factor for employers to start implementing return-to-office schemes. The continued vaccine rollout in the country is expected to reduce employees' fear for their health and increase the confidence of employers to reopen offices.

With a large portion of the office buildings scheduled for completion in 2020 delayed to 2021, we see leasing supply and demand to ramp up in the last quarter of 2021.

1.5. THE PHILIPPINE IT-BPM INDUSTRY AND ITS RESILIENCY AMIDST COVID-19

The IT-BPM industry, a key driver of the Philippine economy, continued to grow in 2020. This is despite the strict density rules set on office space use and the difficulties in commuting to and from the workplace arising from the quarantine restrictions. The Information Technology and Business Process Association of the Philippines (IBPAP) reported that the sector grew its revenues by 1.4 percent in 2020. IBPAP also sees a continuing positive outlook in the BPO sector in 2021 with projected growth of 5.0 percent to 6.5 percent. IT-BPM companies hired 1.8 percent more employees in 2020 compared to 2019. This growth is proof that as the economic crisis stretched, outsourcing became an increasing viable option for western companies to cut costs.

Although the industry was initially disrupted by fluctuations on demand and restrictions on the mobility of workers during the early part of the COVID-19 pandemic, BPO operators were able to quickly implement remote working arrangements and offices were also able to remain open and operational even throughout the country's strictest quarantine measures. Given the essential nature of services provided by the industry, the government allowed operators to continue their service delivery albeit with a limited in-office capacity.

As businesses continue to look for ways to cut down operational costs and keep operations lean because of the pandemic, we also see a potential increase for outsourcing operations to countries like the Philippines. Tax incentives provided by PEZA also help to convince businesses to establish outsourced operations.

The sector is seen as one of the largest employers in the country. The office market grew across business hubs due to IT-BPM expansions. The Philippines continues to be seen as a leading IT-BPM location due to the competitive operational costs provided by the country and its capable and fluent English-speaking talent pool.

In terms of office selection, bigger IT-BPM companies often consider the following set of parameters: availability of talent pool, availability of larger floor plates, quality of IT infrastructure, presence of complementary developments in the area, and the affordability of rent.

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Over the years, IT-BPM companies have developed a preference for locating in townships beyond, but still in close proximity to, the major CBDs of Makati, BGC, and Ortigas, primarily due to affordability of rent and the integrated community development that IT-BPM employees look for. The presence of complementary developments such as residential, leisure, entertainment and institutional properties are assessed by IT-BPM companies as among driving factors for choosing to locate in township developments aside from PEZA incentives.

1.6. OVERVIEW OF THE EASTWOOD CITY, MCKINLEY HILL, AND ILOILO BUSINESS PARK MICROMARKETS

Megaworld townships are pockets of stability and self-contained oasis developments. These 24/7 live-work-play districts continue to be the preferred locations for employees and thus the BPO companies. Differentiated and sustainable design and masterplan provide convenience and security to residents. All of Megaworld's township developments are master-planned for quality of work and life for its residents. During the COVID-19 pandemic, the design of the retail spaces in these townships have been a boon for their tenants. These retail spaces are typically smaller and are outdoor oriented spaces which allow maximum capacity despite IATF restrictions. This allows Megaworld the nimbleness and flexibility to allow their food tenants to be operated at a higher capacity. These townships' BPO oriented market has also allowed Megaworld to retain its retail locators with the support from its internal population. Strategically, all Megaworld developments are situated in advantageous locations with proximity to major roads and highways, train stations, other financial and business districts, and institutions. Its township concept is best positioned to ride the recovery wave and subsequent growth.

1.6.1. Eastwood City

Eastwood City was the first 24/7 master-planned township developments pioneered by Megaworld in the Philippines. Megaworld launched Eastwood City in 1996 in Libis, Quezon City. With an approximate area of 18.5 hectares, Megaworld was able to establish an iconic township which eventually became the model for other township developments. It is considered to be the country's first cyberpark, being the pioneer recipient of the Special Economic Zone for Information Technology status from the Philippine Economic Zone Authority (PEZA) in the late '90s, which gave birth to the Philippine BPO industry.

As a cyberpark, Eastwood City's developments are eligible for fiscal and non-fiscal incentives given by the government for PEZA-registered businesses. In addition to this, the Local Government of Quezon City has also given tax credits to taxpayers in the area who have dutifully paid their real property and housing taxes for the last five years. This was a result of the taxpayers' invaluable assistance in realizing the 35-housing program for the underprivileged and homeless citizens of Quezon City.

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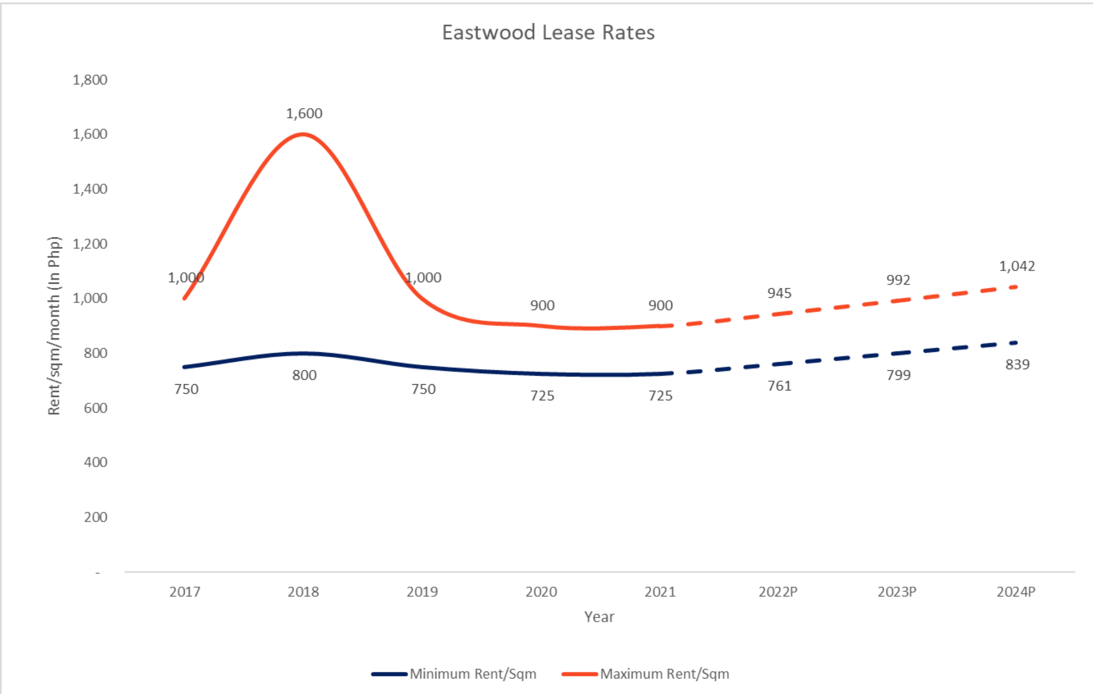
Eastwood City is strategically located along C-5, one of Metro Manila's most expansive avenues that connects the South Luzon Expressway (one of two major expressways connecting Metro Manila to the rest of Luzon) to various major central business districts such as Ortigas, and BGC. Eastwood City also has access to the various major thoroughfares of Quezon City.

Eastwood City is within a 15-minute drive from several high-end subdivisions such as White Plains, Blue Ridge, Valle Verde and Acropolis. A 20-minute drive to the north from Eastwood City are some of the country's major colleges and universities, such as the University of the Philippines-Diliman, Ateneo de Manila University, and Miriam College.

Megaworld started offering leasable spaces in Eastwood City in 1999. As the pioneer in catering to IT-BPM tenants, Eastwood City is seen as an ideal location by many occupiers. The master-planned development is also almost fully built up with little room for expansion. Vacancy in 2020 went up to 14.0 percent because of the COVID-19 pandemic. We only see this as temporary, as Eastwood City continues to attract IT-BPM companies. We see vacancy rates to improve with a projected annual take up of 2,500 to 3,000 square meters.



Eastwood City's lease rates have ranged from Php725 to Php900 in 2020 which is a slight drop from the pre-COVID rents of Php750 to Php1,000 per square meter per month. A low of Php560 per square meter rent was recorded in the first quarter of 2021, but we see this as a one-off transaction granted to a single tenant due to special circumstances and will not influence overall rent levels.

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We see rents in Eastwood City to remain flat for 2021 with a possibility of increase at the last quarter of 2021. With positive developments in IT-BPM demand and vaccination rollouts, we expect rents in 2022 to recover and grow by 5.0 percent.

1.6.2. McKinley Hill

McKinley Hill is one of Megaworld's premiere developments. It is a 50-hectare integrated urban township inside Fort Bonifacio, a former military camp in Taguig City. It is a mini-city that is considered a sustainable community that integrates residential, office, commercial and retail, sports, and recreation, as well as institutional components. Among the line-up of Megaworld's various townships in Metro Manila, McKinley Hill offers the widest choices of residential properties, offering subdivision lots in its exclusive McKinley Hill Village, villa-type enclaves, gated condominium clusters, and high-rise condominium towers. The township has also been known for its rows of campus-type office buildings that are all PEZA accredited special economic zones for information technology, resembling those in Silicon Valley. Companies that occupy most of the office properties in McKinley Hill are primarily involved in software development, data encoding and conversion, customer service, call center operations, system integrations, as well as IT and computer system support.

McKinley Hill is considered as one of the most prominent IT / cyber parks in Metro Manila and is therefore qualified for fiscal and non-fiscal incentives for PEZA registered businesses. Strategically located to the south of BGC, McKinley Hill is one of the country's most renowned financial centers that offers a luxurious living lifestyle for its residents.

The township is directly connected to C-5 and is easily accessible to Metro Manila's main road arteries such as EDSA and key expressways such as the South Luzon Expressway. NAIA, the main international airport of the country is only 20 minutes away by car. Connectivity to the township is expected to further improve with the expansion of Lawton Avenue, which directly connects the township to the airport, and the upcoming completion of the Sta. Monica-Lawton Bridge, which will provide shorter travel time between Taguig City and the Pasig City. A proposal to build a monorail connecting the Metro Rail Transit's Guadalupe Station to BGC will further improve accessibility to McKinley Hill. A station of the Mega Manila Subway will be built within the periphery of the township, complementing the existing public transport hub inside the township.

McKinley Hill will be in close proximity to major government offices in Taguig City such as the Supreme Court of the Philippines and the Senate of the Philippines, both of which are expected to be completed by 2022.

We no longer expect additional supply coming online in McKinley Hill after 2023 given the maturing development status of the township. However, there are available land plots for development within the vicinity that the national government may offer for bidding to developers. These are plots currently occupied by the Philippine military. When the Manila Subway station opens up and becomes operational by 2025, demand

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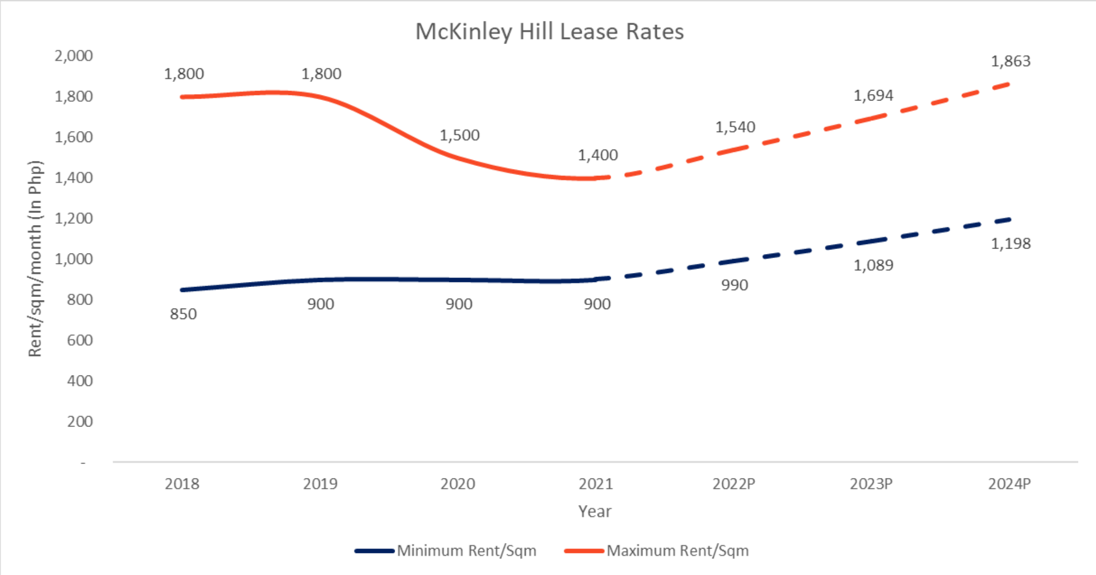
for real estate products will increase in the area and make the district more desirable for IT-BPM companies and their employees.

McKinley Hill has established itself as one of the most prominent alternative business districts in Taguig City. This is evident from the consistently low vacancy rates. In 2017 the vacancy is at its lowest at 1.0 percent wherein the new supply of 100,000 square meters was quickly absorbed by the market. Vacancy may increase with the release of 541,029 square meters of office space by the year 2023 which is estimated to rise to 10.6 percent. We expect vacancies to quickly decline by 2022 as well as by 2024 after the new buildings have been made available to the market due to the prime location.



In 2020, the upper end of the rent range for McKinley Hill saw a decline from the highs of 2019 due to the COVID-19 pandemic. This has stabilized at Php1,400 per sqm in the first quarter of 2021. Minimum rents have remained stable at Php900 by is expected to start moving up by end 2021 and early 2022. We project rent growth at 10.0 percent with a potential to go back to the Php1,800 rents by late 2023 to 2024.

1.6.3. Iloilo Business Park

Iloilo Business Park (IBP) is a mixed-use master-planned development with a land area of 72 hectares in the district of Mandurriao, Iloilo City. This is considered as the grandest township development and the new central business district of Western Visayas, strategically located at the heart of Iloilo City. Iloilo has historically been considered a center for education and is currently the largest source of quality labor in Western Visayas. The Iloilo Business Park pioneered the establishment of the Mandurriao district in Iloilo City as a new growth center.

IBP was registered as a Special Economic Zone which qualifies it for fiscal and non-fiscal incentives given by the government. Adding to this, Iloilo City has lower local tax rates compared to other locations in the country, including Metro Manila.

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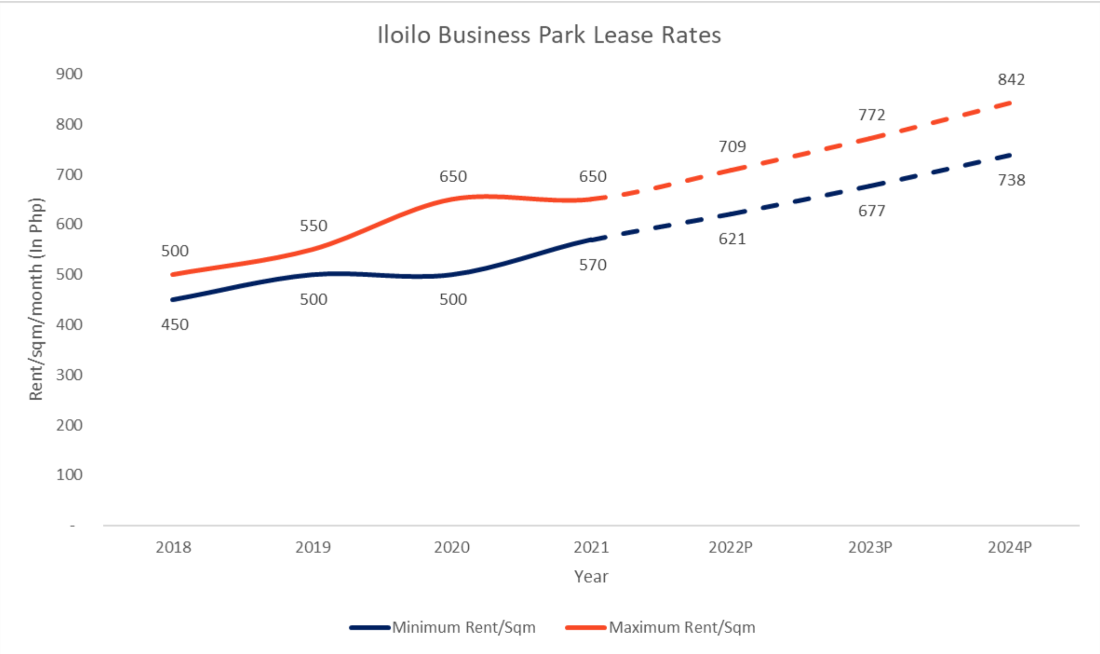
Iloilo City is one of the fastest growing highly urbanized cities in the Philippines, having one of the country's most modern airports and one of the country's busiest seaports, along with wide roads and river-side boulevards. Iloilo City serves as the gateway to the rest of Panay and other nearby islands. It is the regional center for various government agencies and offices. The city is easily accessible from other key destinations in Western Visayas: Iloilo is a one-hour ferry ride to another regional urban center, Bacolod City, and a four-hour drive to Caticlan, the gateway to one of the best beach islands in the world according to various publications — Boracay Island.

Iloilo Business Park is located along Megaworld Boulevard and has direct access to major roads in Iloilo, Aleosan Road and Old Iloilo to Capiz Road. Currently, Iloilo City is perceived to be the safest market to invest outside of Metro Manila. The LGU headed by Mayor Trenas has consistently been lauded in public as a model for public private partnership. The local support for IT-BPM investments and their needs has also been outstanding.

From 2014 to 2020, additional office stock was added to the township every year. An additional 36,700 square meters of office space is expected to be available in 2024. Despite consistently contributing office space annually, vacancies in IBP remain low between 2.0 percent to 3.0 percent year on year. Vacancy is expected to increase by 12.0 percent with the addition in supply by 2024 but is expected to be taken up quickly.

In the long term, we expect vacancies to quickly drop to the low single digits, as IT-BPM companies consider Iloilo City an ideal expansion area following the recent trend of finding secondary locations outside of Metro Manila to implement a hub-and-spoke operating model.



Iloilo City is considered as one of the top three (3) in terms of preference by IT-BPM companies for locations outside of Metro Manila due to the quality of potential

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employees. While big national developers are in the Mandurriao area, there is still a lack of supply. These three factors, plus the fourth factor of cost savings, have kept rents in Iloilo Business Park strong despite the pandemic.

We see rents in Iloilo Business Park to continue rising as IT-BPM companies continue to expand outwards from Metro Manila.

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1. OVERALL PHILIPPINE ECONOMY

1.1. GDP

Real GDP Growth Rate

	2015	2016	2017	2018	2019	2020	Average Growth 5-year (2015 - 2019)	2021F	2022F
Brunei	-0.4%	-2.5%	1.3%	0.1%	3.9%	1.2%	0.5%	2.5%	3.0%
Cambodia	7.0%	6.9%	7.0%	7.5%	7.0%	-3.5%	7.1%	4.0%	5.5%
Indonesia	4.9%	5.0%	5.1%	5.2%	5.0%	-2.1%	5.0%	4.5%	5.0%
Laos	7.3%	7.0%	6.9%	6.3%	4.7%	-0.4%	6.4%	4.0%	4.5%
Malaysia	5.0%	4.4%	5.8%	4.8%	4.3%	-5.6%	4.9%	6.0%	5.7%
Myanmar	7.5%	6.4%	5.8%	6.4%	6.8%	3.2%	6.6%	-9.8%	-
Philippines	6.3%	7.1%	6.9%	6.3%	6.0%	-9.5%	6.5%	4.5%	5.5%
Singapore	3.0%	3.3%	4.5%	3.5%	1.3%	-5.4%	3.1%	6.0%	4.1%
Thailand	3.1%	3.4%	4.2%	4.2%	2.3%	-6.1%	3.4%	3.0%	4.5%
Vietnam	7.0%	6.7%	6.9%	7.1%	7.0%	2.9%	6.9%	6.7%	7.0%

Source: Asian Development Bank, International Monetary Fund

The Philippines has been one of the fastest growing economies among Southeast Asian countries prior to the COVID-19 pandemic. From 2015 to 2019, the country achieved one of the highest real Gross Domestic Product (GDP) growth rate in the region, averaging 6.5 percent per annum for the five-year period; outpaced only by the frontier economies of Vietnam, Cambodia, and Myanmar. Further, the country has remained strong with no civil disturbance and political instability.

Following the COVID-19 pandemic, most countries in Southeast Asia saw sharp GDP declines in the year 2020. The Philippines has been hit harder than other economies due to prolonged efforts to contain the spread of COVID-19, resulting in stricter and longer quarantines which remain in effect as of the writing of this report. In particular, the hospitality and tourism, food, and retail sectors, which collectively account for 2 percent of Philippines' GDP in 2019, saw a 45 percent contraction in 2020 as residents were encouraged to stay at home, while international tourist footfall declined by 83.7 percent

However, most Southeast Asian economies, including the Philippines, are expected to begin to recover in 2021. Vietnam is expected to lead the way at 6.7 percent GDP growth, followed by Singapore and Malaysia at 6.0 percent growth, and Philippines and Indonesia each at 4.5 percent. This is expected to be driven by improvements in global economic conditions as well as the resumption of domestic activity as vaccination rollout continues to ramp up, therefore boosting investor confidence in these countries.

The economic team of the Philippine national government has already begun implementing plans for economic resiliency through financial measures that can ease the impact of the resulting economic crisis. In 2020, expansionary fiscal policies have been imposed by the national government to provide much needed monetary aid thru government assistance/subsidies as well the lowering of income taxes through the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE).

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In addition, the Philippine economic team aims to fast track the Financial Institutions Strategic Transfer (FIST) Law, a law which assists financial institutions in minimizing the adverse effect of COVID-19 pandemic. It allows credit-granting institutions to clean their balance sheets by selling their non-performing assets (NPAs) to asset management companies called FIST corporations (FISTCs) that are registered with the Securities and Exchange Commission (SEC). The BSP expects that this law will help the banking system's non-performing loans (NPL) ratio to be reduced by 0.63 to 0.73 percentage point as lenders are expected to dispose of at least 152 billion pesos in NPAs.

The Bangko Sentral ng Pilipinas (BSP) raised the real estate loan limit of universal and commercial banks from 20 percent to 25 percent to support the real estate sector amid the pandemic. This translates to additional liquidity for real estate lending amounting to around PhP1.2 trillion (based on end-March 2020 data). On top of this, interest rates have been reduced to allow loans to remain current and to stabilize loan activities. These two acts are aimed at pump priming real estate development which has a multiplier effect on the economy.

As of May 2021, the Philippines has become one of the leading countries among ASEAN nations in its COVID-19 vaccination program. The vaccination program is expected to be the main driver for economic reopening in the post-pandemic era. In an April report published by the Department of Health (DOH), the Philippines ranked third with the greatest number of administered vaccine doses among the ASEAN countries. As of May 2021, the Philippines has already administered 4.1 million COVID-19 vaccine doses, with 1.2 million doses accomplished within seven days. The national government targets to immunize 58 million Filipinos by year-end.

We are now seeing the end of this COVID-19 tunnel with the surge in vaccine arrivals.

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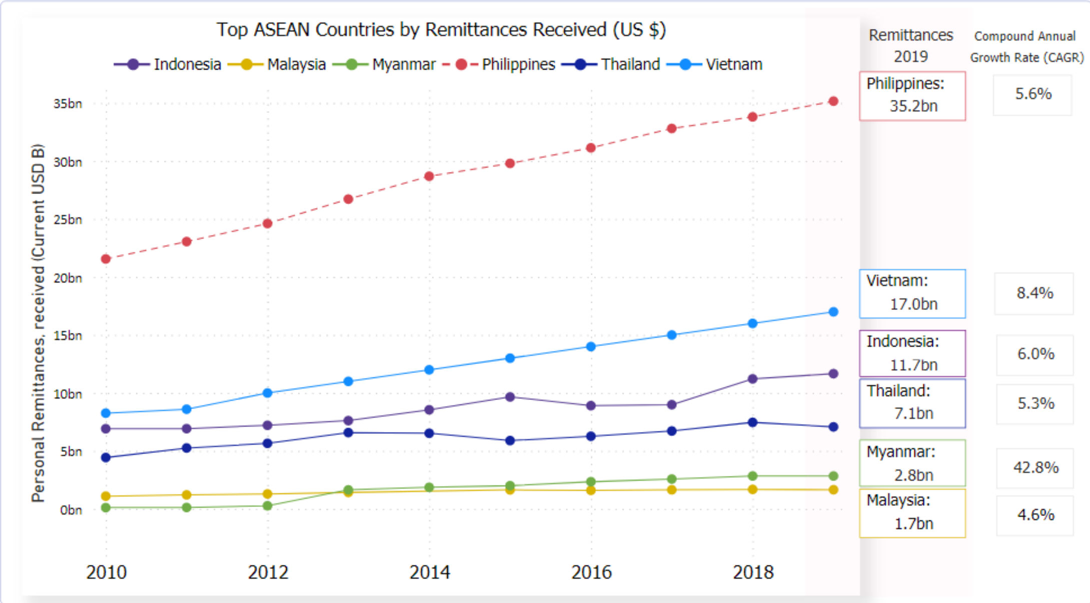
1.2. OFW Remittances



Remittances from Overseas Filipino Workers (OFW) has long been a key backbone of the Philippine economy. The Philippines has been the top recipient of personal remittances in the ASEAN for the past 10 years. In 2019, the total remittances received by the Philippines was 51.7 percent higher than the total remittances received by the second highest ranking country, Vietnam. From 2010 to 2019, OFW remittances have grown at a compound annual growth rate (CAGR) of 5.6 percent.

The 10-year stable growth of personal remittances in the Philippines has been affected in 2020, along with the rest of the economy, due to the challenging labor market conditions brought by the pandemic such as the layoffs in many host countries for OFWs and travel restrictions. Despite the crisis, the Philippine personal remittances remained strong and only slipped by 0.8 percent from 2019 to 2020, which beats the Bangko Sentral ng Pilipinas (BSP)'s initial forecast of a 2.0 percent decline. Given the resilience in personal remittances witnessed in 2020 as well as the reopening of borders in host countries and consistent rollout of COVID-19 vaccines this year, several government agencies have already indicated their positive outlook for remittances in 2021 and 2022. The BSP sees personal remittance inflows growing by as much as 4.0 percent in 2021 which would help spur a recovery in discretionary spending.

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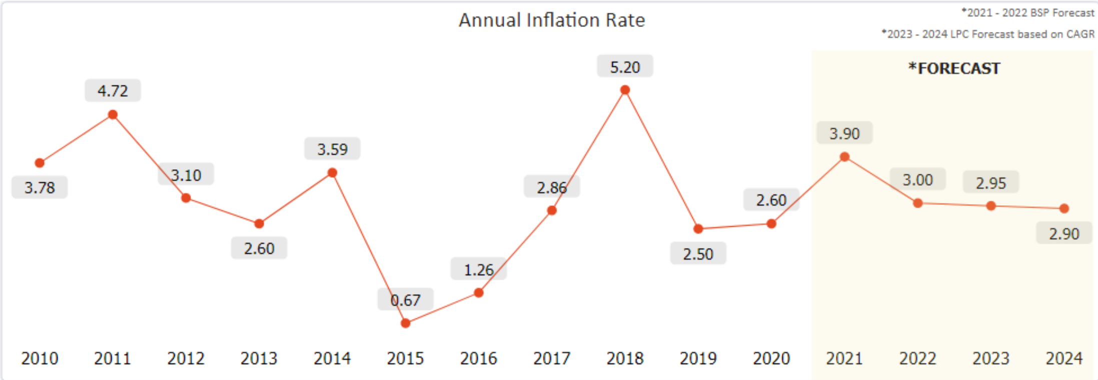
1.3. Inflation

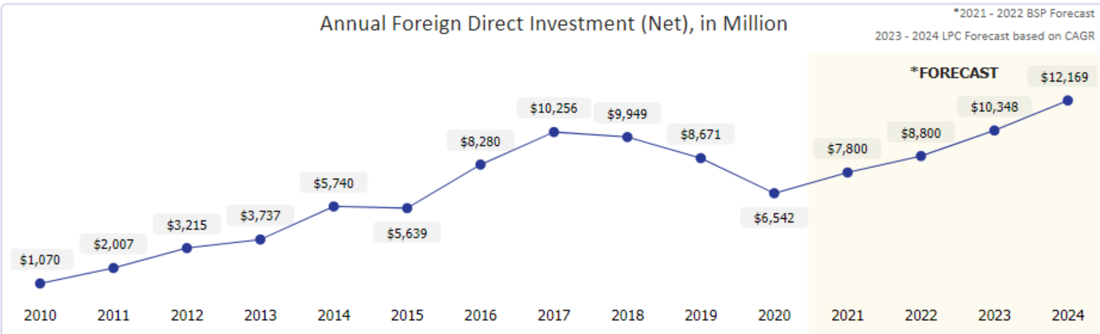


Source: Bangko Sentral ng Pilipinas (BSP)

The Philippines posted an inflation rate of 2.6 percent for 2020, well-within the BSP's medium-term inflation targets. The general expectation is for inflation to increase in the next few years as imports continue to rise and consumption picks up amidst a moderation in quarantine measures, resulting to higher consumer spending.

The BSP forecasts that the average inflation rate will increase to 3.9 percent in 2021 due to supply-side pressures will reach 3.0 percent level in 2022.

1.4. FDI



Source: Bangko Sentral ng Pilipinas (BSP)

Foreign direct investments (FDIs) in the Philippines have grown since 2010 as investor confidence in the country strengthened, particularly from Japan, China, and Europe. Reform policies, such as the Tax Reform for Acceleration and Inclusion program, were already underway to further attract investors in the country in 2020.

The dampened investor confidence brought by the pandemic has resulted to the Philippines reporting a total of US$6.5 billion in FDIs last year, down by 24.6 percent compared to the year prior. Capital placements made in 2020 mostly came from Japan, the Netherlands, the US, and Singapore. FDIs were mostly focused on the manufacturing, real estate and financial and insurance industries which shows the resiliency of these sectors even in the face of the pandemic.

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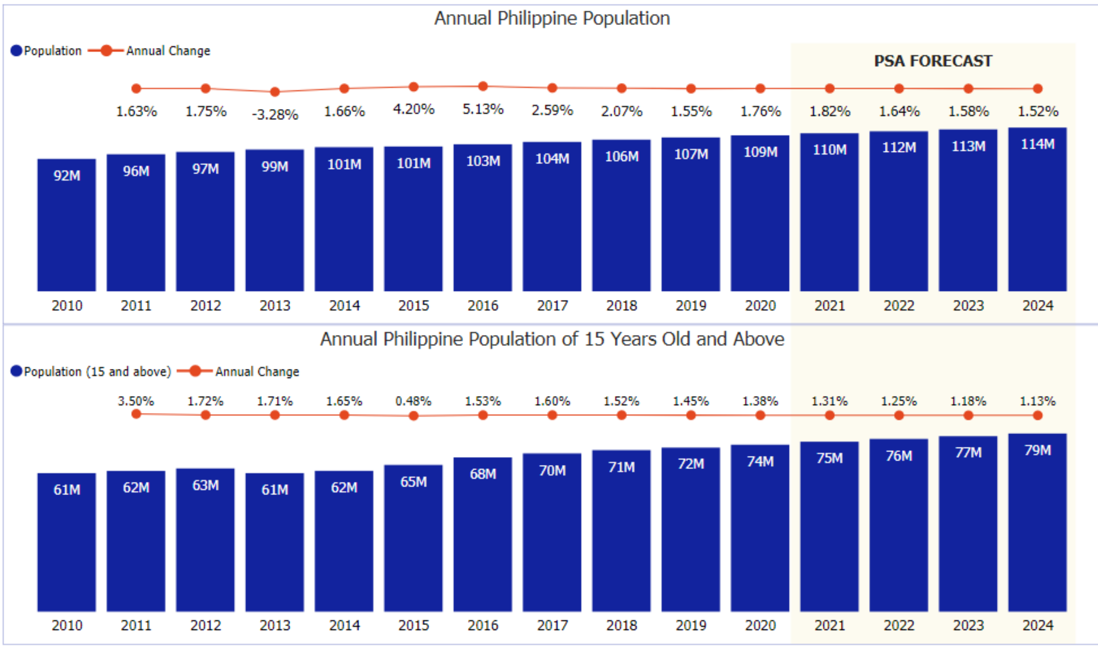
Philippine FDIs show a robust improvement on the start of the year, with a reported total of $961.0 million FDI net inflows in January 2021, which is 41.5 percent higher compared to the same period last year. The FDIs are expected to further recover as investors regain optimism. The passing of the CREATE law is also seen to boost foreign interest in the country. BSP projected that the FDI inflow will reach an estimated US$7.8 billion in the full year 2021.

1.5. Population



Source: Philippine Statistics Authority (PSA)

The steadily growing population of the Philippines has been key to the accelerating growth of the country's economy. The expanding population with a demographic concentrated towards the younger working class continues to fuel the economy as this translates to a larger workforce. The growing population, along with the growth of the middle class, is also seen to be the driving force behind domestic consumption.

The Philippine Statistics Authority, Population Commission reported that the population growth of the Philippines has started to decline as its family planning measures have started to yield the desired results. The population growth rate is expected to decrease from 1.82 percent in 2021 to 1.52 percent in 2024. Overall, the annual Philippine population aged 15 years old is still expected to expand steadily, from 74 million in 2020 to 79 million in 2024.

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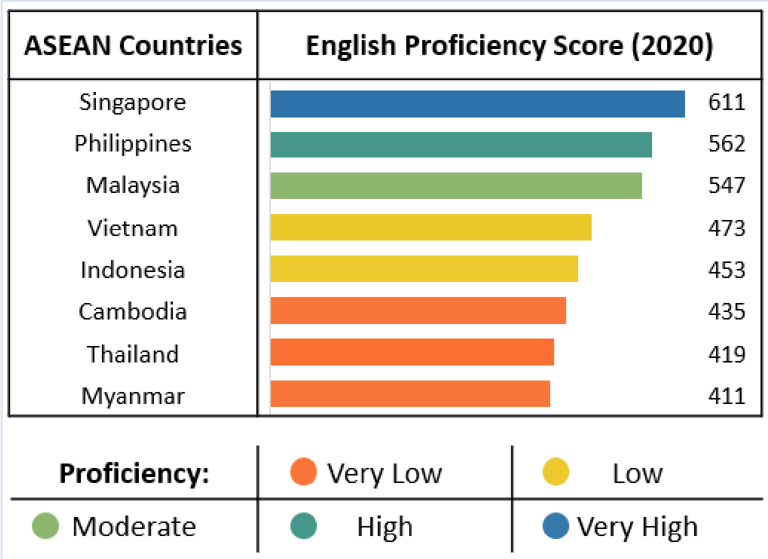
1.6. English Proficiency



Source: EF Education First

The Philippines ranked second with highest English proficiency score in Asia, following Singapore. The Philippines is recognized globally as one of the largest English-speaking countries resulting to more foreign investors looking to invest and relocate some parts of their businesses to the country.

The proficiency in the language is one of the main drivers that has helped boost the Philippine economy and made the country one of the top outsourcing destinations in the world.

2. RELEVANT LAWS FOR REAL ESTATE SECTOR

There are several governing bodies that implement policies and regulate businesses in the Philippines. Below are the different fiscal and non-fiscal incentives businesses may be entitled to by registering under such agencies.

Incentives	Philippine Economic Zone Authority (PEZA)	Board of Investments (BOI)	Authority of the Freeport of Bataan (AFAB)	Clark Special Economic Zone (CSEZ)	Cagayan Economic Zone Authority (CEZA)
Income Tax Holiday	✔ 4 to 8 years	✔ 3 to 6 years	✔ 4 to 8 years	✔ 4 to 8 years	
Upon expiry of Income Tax	✔		✔	✔	

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Holiday – 5% Tax exemption					
Special tax rate of 5% of gross income					✔
Exemption from Taxes and Duties	✔ On imported spare parts	✔ On imported spare parts only for mfg; Reduced duty rates on capital equipment, spare parts, and accessories	✔ On imported capital equipment, spare parts, other supplies, and raw materials; Admission of motor vehicles for an investment of at least USD $250,000 or for having at least 50 regular employees for every vehicle to be admitted at the time of application	✔ On imported spare parts	✔ On articles, raw materials, capital goods, equipment, and consumer items
Exemption from Wharfage Dues and Export Tax, Duty, Impost and Fees	✔	✔	✔	✔	✔ On non-traditional export products
Tax Credits		✔			✔
VAT zero-rating of local purchases subject to compliance with	✔			✔	

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BIR and PEZA requirements					
Exemption from payment of local government imposts, fees, licenses, or taxes	✔		✔ Except for land owned by developers with the imposition of a tax rate of 5% on gross income earned	✔	✔
Simplified Import Export procedures	✔			✔	
Importation of Consigned Equipment		✔	✔ Provided that the purchase does not exceed USD $200 per individual (per month)		
Employment of Foreign Nationals	✔	✔		✔	
Special non-immigrant visa with multiple entry privileges	✔			✔	✔ Multiple entry visa, valid for a period of 2 years
			✔		✔

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Permanent resident status for foreign investors and immediate family members with investments			Investments of USD $75,000, either cash and/or equip. in a registered enterprise		Investments of US$150K capital
Other Incentives		- Additional Deductions from Taxable Income - Tax Exemption on Breeding Stocks and Genetic Materials - Privilege to Operate a Bonded Mfg/ Trading Warehouse	- Domestic sales allowance of up to 30% of total sales - Can sell real property, facilities or other properties owned by AFAB to private entities, provided that its regulatory, territorial, and control should still be under AFAB - One-Stop Shop for the issuance of permits, clearances, licenses, and certifications to conduct business activities with the coordination of government agencies		-Tax treatment of merchandise in the Zone - Additional deduction for labor expense - Exemption from Contractor's Tax

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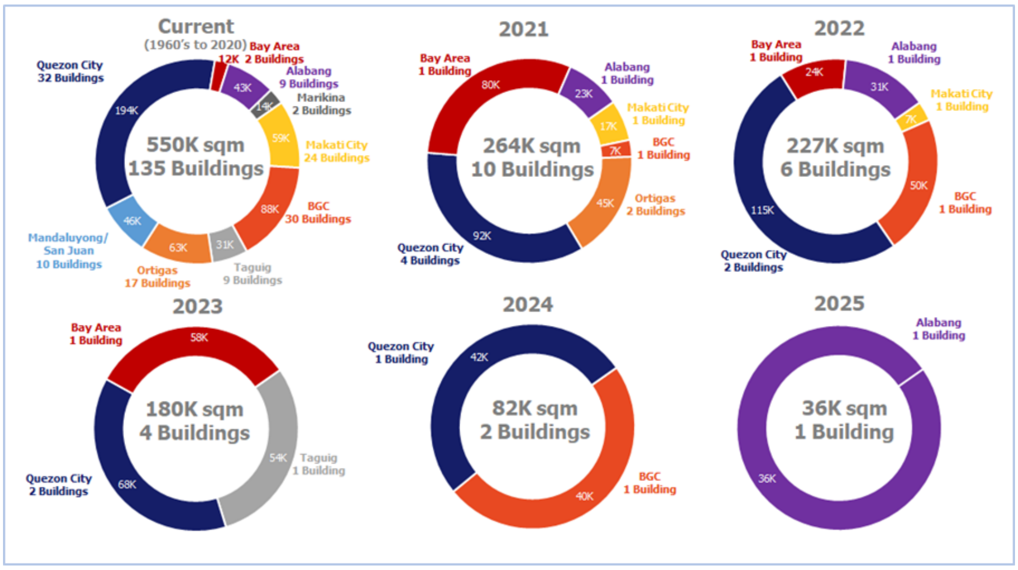
2.1. Philippine Economic Zone Authority Accreditation

The Philippine Economic Zone Authority is an agency from the Department of Trade and Industry (DTI) created to promote investments into the Philippines. Businesses which are registered and accredited under PEZA are entitled to fiscal and non-fiscal incentives. IT-BPM companies prefer locating in PEZA-accredited buildings to avail of these incentives. Incentives range from tax treatment, exemption from local taxes, among others.

There have also been changes with the tax incentives system due to the recent ratification of the CREATE law. Transition period for firms to the new tax system is at four to nine years, meaning PEZA registered firms will be sticking to their usual incentives and would be given the option if they want to apply for the 5 percent of the gross income earned incentive or the CIT rule once the transition period is done.

In June 2019, the Administrative Order No. 18 was signed by the president, halting the registration of economic zones in Metro Manila with the goal of boosting the development of new ecozones in other provinces. This moratorium on new PEZA registrations in Metro Manila limits the existing PEZA space in the region, therefore enabling existing PEZA firms to command a higher premium. This has partly encouraged IT-BPM firms to look outside of Metro Manila for viable sites of operations.

At the end of 2020, of Metro Manila's total PEZA space of 7.4 million square meters, only 550,000 square meters equivalent to 13.0 percent remain to be vacant across 135 buildings during the last quarter of 2020. Only 33 of the 135 buildings have a vacancy of at least 5,000 square meters. In 2020, only an additional 92,000 square meters of PEZA space was built. From 2021 to 2025, only 1.1 million square meters of PEZA space will be coming online of which 852,000 square meters are expected to be rotationally vacant.



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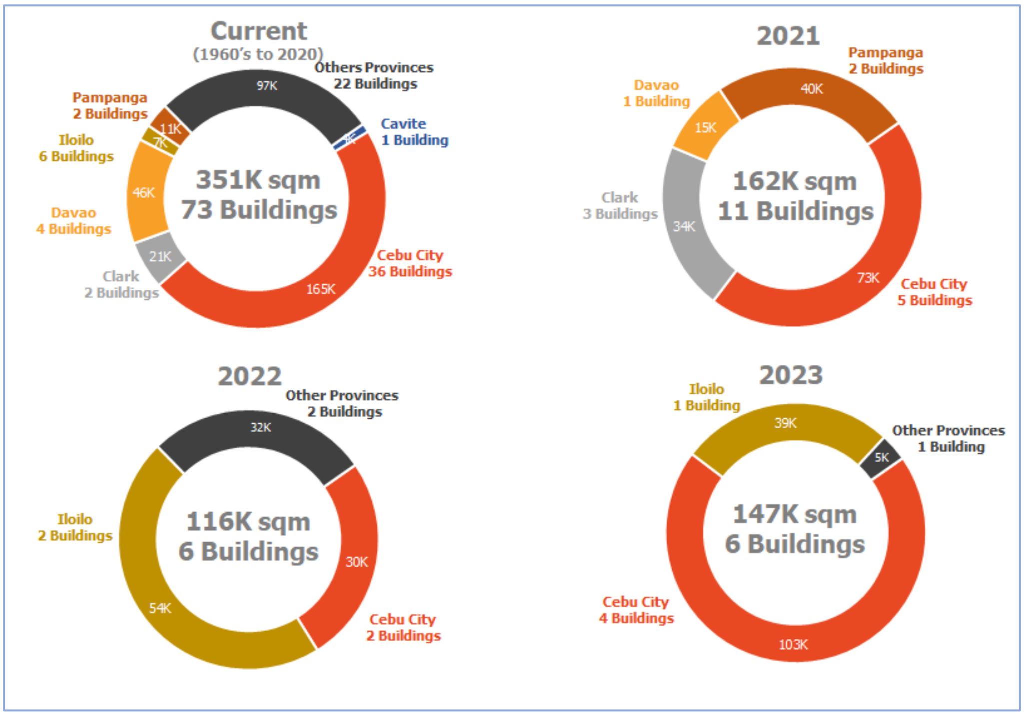
At the end of 2020, Provincial PEZA space had a total supply of 1.9 million square meters, of which only 351,000 square meters remain vacant across 73 buildings. An additional 82,000 square meters of PEZA space was built during the said year. We expect only about 527,000 square meters of additional PEZA space to come online in the next five (5) years.



This tight supply of pipeline PEZA space is seen to add premium to the rents as demand from IT-BPM expands.

2.2. Amendments to the Real Estate Investment Trust Act of 2009

Republic Act (RA) No. 9856, or "The Real Estate Investment Trust Act of 2009." was enacted to encourage the participation of Filipinos in the ownership of real estate in the Philippines, and to help companies finance and develop real estate related projects in the country. Through this law, sponsors can create stock corporations known as REITs which are created for the purpose of owning income-generating real assets, which are held for the purpose of generating a regular stream of income.

However, REITs in the Philippines were not embraced until Republic Act No. 10936, also known as the Tax Reform Acceleration and Inclusion (TRAIN) law addressed the issues that stakeholders faced during the previous version of the law such as the minimum public float requirement (previously 40.0 percent, now down to 33.3 percent), and other tax provisions that did not favor potential issuers.

This law also incentivizes investors in REITs. REIT investors are generally only subjected to a final tax of 10.0 percent on dividends received from REITs, unless the dividends

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are received by a non-resident alien individual or a nonresident foreign corporation entitled to claim a preferential withholding tax rate of less than 10 percent pursuant to an applicable tax treaty, or the dividends are received by a domestic corporation or resident foreign corporation.

2.3. 25 percent increase in Real Estate Loan Limit

In 2020, the BSP raised the real estate loan limits of universal and commercial banks from 20.0 percent to 25.0 percent to support the real estate sector amid the pandemic. This was a Monetary Board initiative to boost the growth in real estate activities.

The increase translated to additional liquidity for real estate lending amounting to around PhP1.2 trillion (based on end-March 2020 data) according to BSP Governor Benjamin Diokno.

Real Estate Loans (REL), in Billion Pesos					
		March	June	September	December
2020	Residential REL	761	788	816	834
	Commercial REL	1448	1413	1398	1458
% Change (From 2019 to 2020)	Residential REL	9%	10%	11%	9%
	Commercial REL	21%	12%	8%	4%

Source: Bangko Sentral ng Pilipinas (BSP)

Residential and commercial real estate loans increased in 2020 by 9.0 percent and 4.0 percent, respectively. In total, lending to real estate developers went up by an average of 11.0 percent in 2020 despite of the uncertainty brought by the pandemic. As of year-end 2020, the Philippine banking system had a total real estate exposure equivalent to 19.1 percent of their total loan portfolio.

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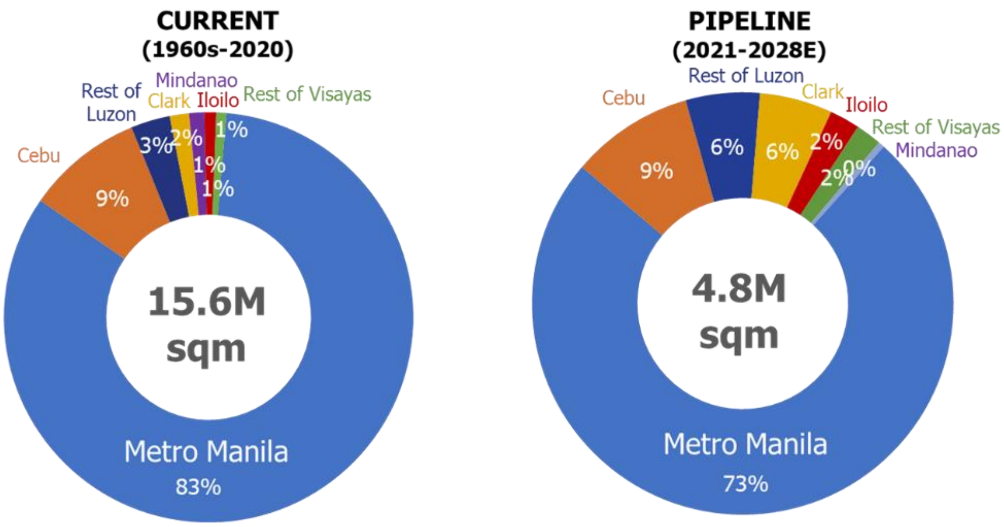
3. Overview of Philippine Office Property Market

In the last five years pre-COVID, the real estate market has grown tremendously, which allowed developers to create value and generate cashflows, thereby encouraging developers to build more in the country. The emergence of both the IT-BPM and POGO industries has also brought the Philippines' current office supply to 15.6 million square meters.

The Philippine office market has been developing rapidly in the past few years, driven primarily by the growth in demand for office space in Metro Manila. In recent years, there has been an emergence of business hubs outside Metro Manila, following the development of the areas outside the Philippine capital.

The ever-growing IT-BPM industry significantly impacts the development not only within Metro Manila, but all over the Philippines. The efforts of the national government to implement urban and infrastructure projects also attract investments to provincial districts.

The income generated by developers from the momentum of the last five years also enabled them to build more office spaces into the pipeline and has given developers the ability to face the pandemic and still come out relatively unscathed. Over the next eight years, the Philippine office supply will grow by 4.8 million square meters, an increase of 32.0 percent from the current supply. This includes 3.5 million square meters from Metro Manila and 1.2 million square meters of new office supply in provincial districts. Next to Metro Manila, Cebu is the second largest producer of office space in the Philippines, adding 450,000 square meters of supply in the next eight years. Iloilo is also expected to add 2.0 percent of the upcoming supply following the emergence of the region as a key business hub in the Visayas region.



Metro Manila	12.98M sqm
Outside Metro Manila	2.6M sqm

*Note: Figures pertain to Gross Leasable Area (in sqm)

Metro Manila	3.5M sqm
Outside Metro Manila	1.2M sqm

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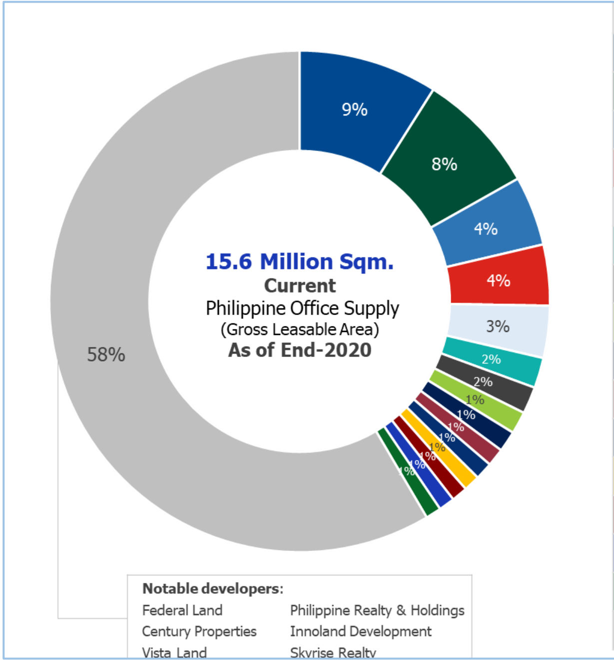
We estimate a total of 15.6 million square meters of current office spaces in the Philippines. Three developers, Megaworld (9%), Ayala Land, Inc. (8%), and SM Prime Holdings, Inc. (4%), represent more than 20% of the current office GLA in the country. Megaworld has the largest market share at 1.4 million square meters.



	Developer	Market Share
1	Megaworld	9% (1.4M)
2	AyalaLand	8% (1.23M)
3	SM Prime	4% (700K)
4	Robinsons Land Corporation	4% (613K)
5	Filinvest Land, Incorporated	3% (524K)
6	araneta group	2% (305K)
7	Neo Property Management, Inc.	2% (271K)
8	Daiichi Properties	1% (224K)
9	Amberland Corporation	1% (210K)
10	Eton Properties Philippines, Inc.	1% (181K)
11	RCBC Realty Corporation	1% (176K)
12	Property Manager Inc.	1% (164K)
13	Rockwell Land	1% (161K)
14	The W Group	1% (161K)
15	DoubleDragon Properties Corp	1% (157K)
	Others	58% (9.1M)

The Philippine office sector continued registering new demand of 105,000 square meters in the first quarter of 2021, up 18.0 percent from 89,000 square meters in the fourth quarter of 2020, despite of the absence of POGOs. POGO activity flatlined due to pandemic related travel bans as well as the increase in taxes being imposed on the industry.

IT-BPM remains the single largest driver of office demand with a take-up of 218,000 square meters since the first quarter of 2020.

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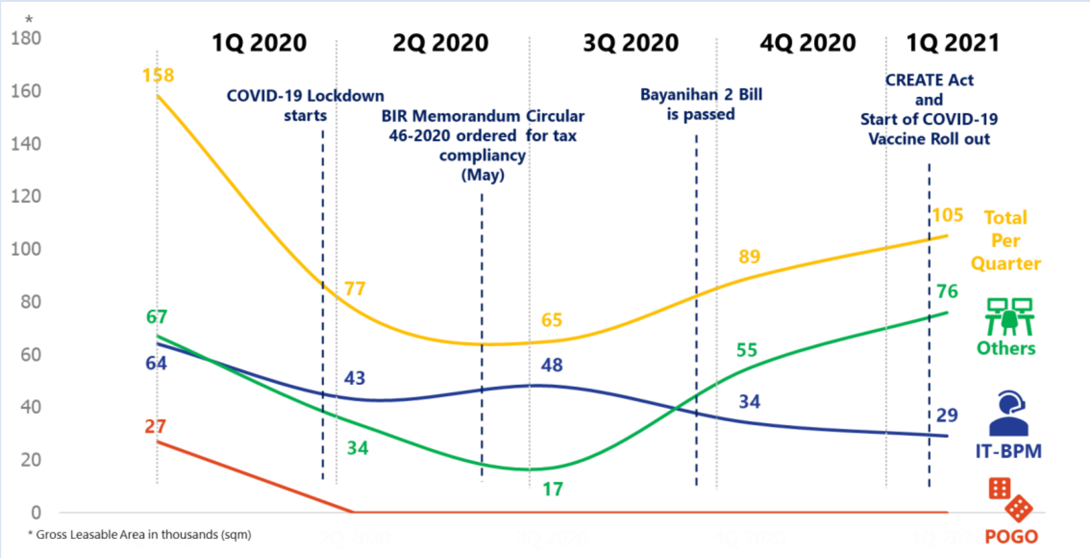
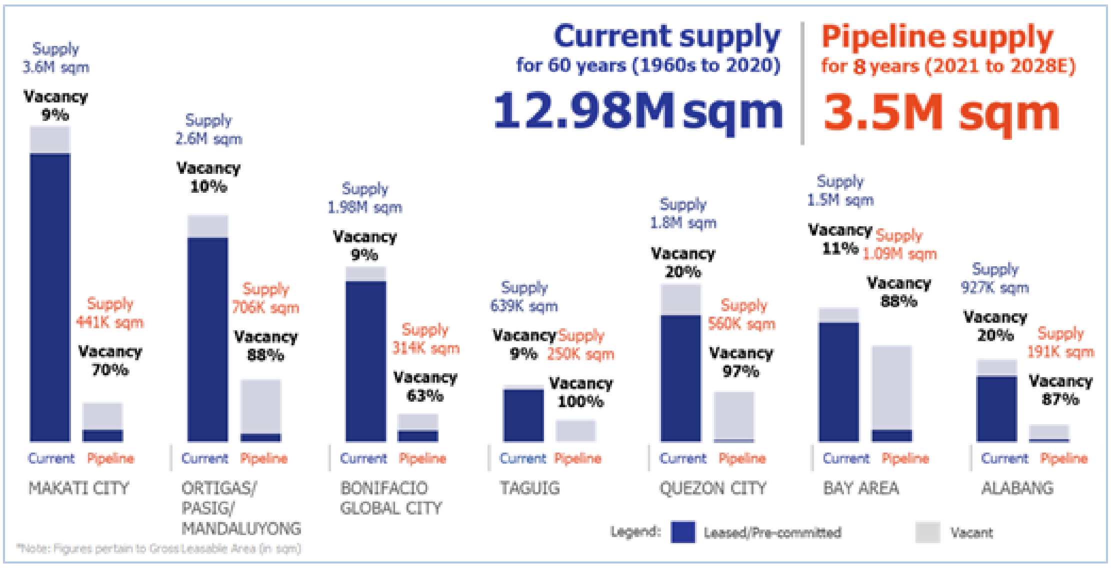


3.1. Metro Manila Current Supply

Metro Manila currently has a total of 12.98 million square meters of office space with Makati City as the biggest office supplier with 3.6 million square meters or 28percent of the overall current stock. About 3.5 million square meters are upcoming or 27.0 percent of what has been supplied for the last sixty years will be supplied in the next eight years.



3.2. Metro Manila Pipeline Supply

Bonifacio Global City, Taguig, and Alabang will have a low supply of new and upcoming buildings beginning 2021. On the other hand, Bay Area, Ortigas Center and Quezon City will be the largest suppliers of office space in the coming years. Some of the future supply have already been leased out or pre-committed by companies. As the buildings near completion, pre-leasing take up intensifies.

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Office buildings in the pipeline are categorized into under negotiation, pre committed, or leased. An office space is classified as under negotiation when a tenant negotiating the space lease is given a draft of the lease agreement containing the terms and conditions that are acceptable to the landlord. If the tenant confirms the lease and submits signed a letter of intent (LOI), they are given one month to review the contract, this is called pre-committed spaces. While, leased are office spaces with signed letter of intent or agreed commercial terms of both landlord and tenants. This comes with reservation deposit equivalent to a month rent.

Note: Supply is based announced upcoming offices of Developers via Annual reports and Press releases

The Metro Manila office market has been vibrant with demand continuously increasing. Since 2010, the vacancy rate in Metro manila has remained at less than 10.0 percent. In 2020, the recorded office space vacancy rate is 8.0 percent, slightly higher than 2019's 4.2 percent. The said increase in vacancy is associated with the vacated space in Metro Manila most especially from POGOs. Many of the vacated POGO spaces in Metro Manila are PEZA spaces, which means more options have become available for IT-BPM companies. These would lure expanding IT-BPM firms. The IT-BPM industry continued to expand amidst the pandemic, while the POGO industry was hampered by COVID-19 and higher taxes imposed, accounting for most of the vacated spaces in 2020.

The office real estate market is resilient and is expected to quickly recover. It has also been one of the least affected real estate sectors. IT-BPM will bounce back on a strong note and POGOs are expected to resume pre-COVID operations. The CREATE Act and COVID-19 vaccine roll-out are also expected to improve investor sentiments in the coming years.

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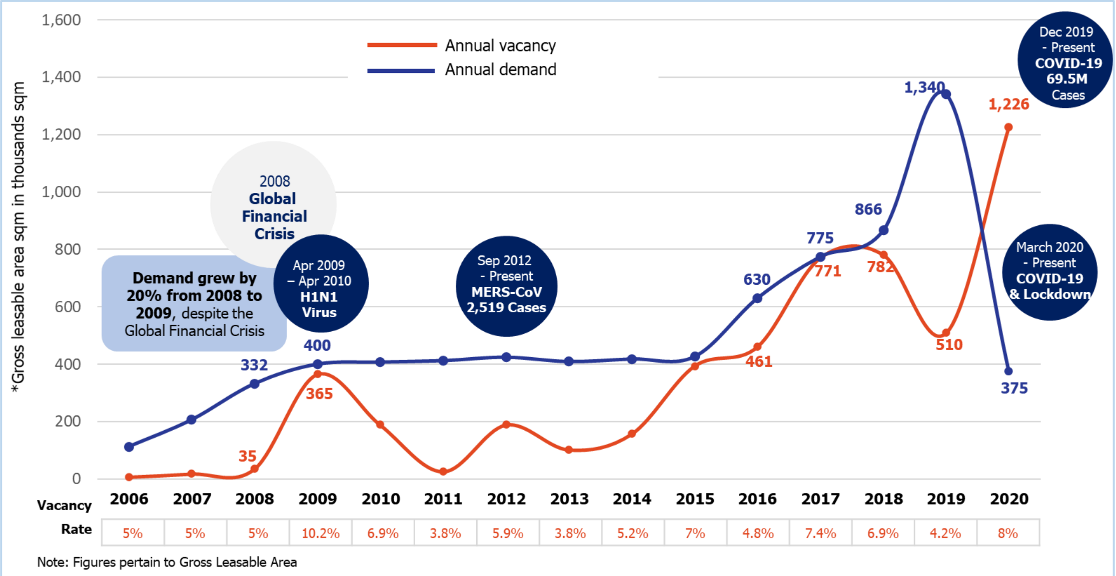
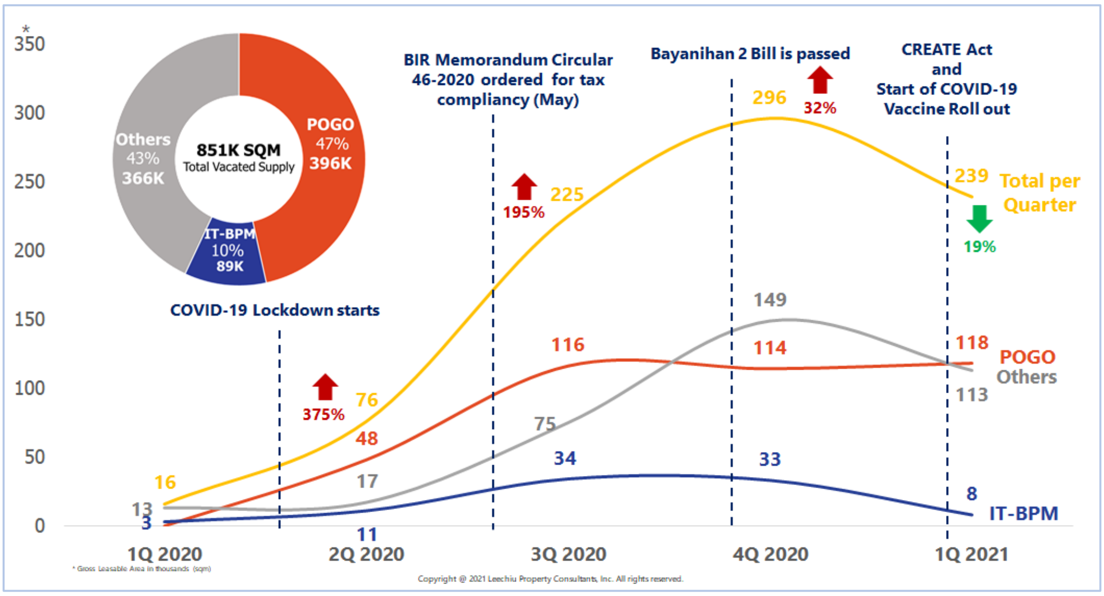


With respect to vacated spaces over the year, the pace of contractions has already slowed down from the fourth quarter of 2020. IT-BPM contractions remained low over the entire covered period. The POGO sector accounts for the biggest share at 396,000 square meters.

The online gaming industry also goes beyond China as the offshore gaming market covers gamblers from around the world. The POGO industry's recovery, following the Philippine government's initiatives to accommodate the sector, is expected to easily soak up the vacated spaces from the pandemic.



3.3. Lease Rates

Overall, Lease Rates have remained stable even with reduced new requirements and expansion compared to 2019. The highest drops in rents where primarily in areas

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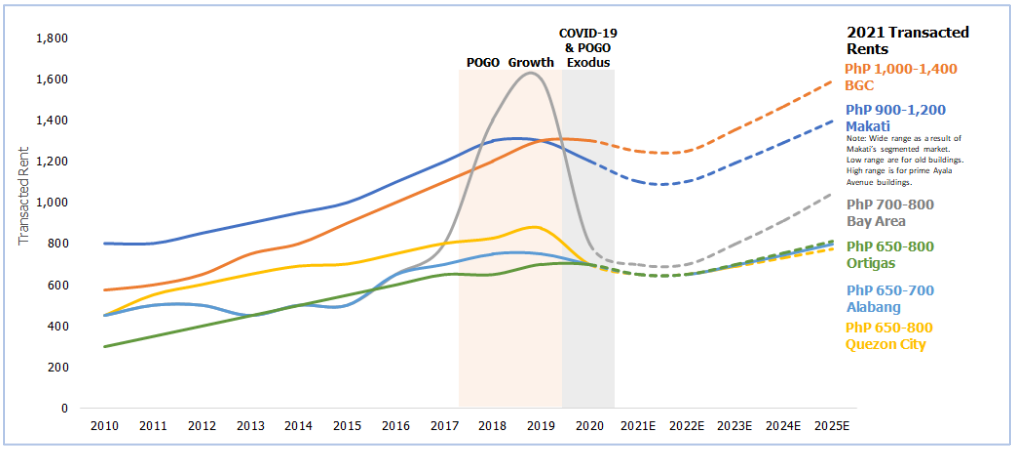
which had high density of POGO operators in POGO hotspots such as the Bay Area and Alabang.

PEZA buildings, on the other hand, are holding lease rates strongly at current levels with maintained demand from the IT-BPM despite supply being limited.

Rents are seen to start rising at the last quarter of 2021 and more significantly by 2022. These are the periods when vaccinations would have been delivered to a significant population, and office workers are required to go back daily to the offices.



Outside Metro Manila, key areas such as Cebu, Clark/Pampanga, Iloilo, and Laguna continue to hold the highest rents in provincial locations. This can be attributed to the quality and availability of buildings specifically targeting the IT-BPM locators. A critical mass of PEZA space and acceptance by locators have established these locations.

Prime undeveloped land in Clark Global City in Clark, Pampanga; the Cebu IT Park and the Iloilo business district will enable these locations to absorb future growth. These will serve as magnets of employment for their highly populated regions and expect significant growth in terms of office space and IT-BPM locators.

LUZON	Asking Rent (PhP/SQM/Month)
Batangas	PhP 550 to 600
Bicol	PhP 450 to 600
Bulacan	PhP 450 to 650
Cavite	PhP 400 to 650
Clark	PhP 530 to 680
Ilocos Norte	PhP 550
Laguna	PhP 500 to 720
Nueva Ecija	PhP 400 to 650
Pampanga	PhP 500 to 750
Rizal	PhP 600 to 650
Zambales	PhP 650

VISAYAS	Asking Rent (PhP/SQM/Month)
Bacolod	PhP 400 to 600
Bohol	PhP 500 to 550
Cebu	PhP 650 to 800
Dumaguete	PhP 260
Iloilo	PhP 500 to 700
Roxas	PhP 350
MINDANAO	**Asking Rent (PhP/SQM/Month)**
Cagayan de Oro	PhP 450 to 650
Davao	PhP 550 to 650
General Santos	PhP 320 to 450

Rates ate Exclusive of VAT and other charges

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Overall, rents have remain stable, occupancy rates have been maintained except for isolated areas, and BPOs are still operating. We see the pandemic as a temporary bump and we are already seeing the start of the recovery. The big real estate wave will recover and go back up as BPOs come back and POGOs start to operate again.

3.3.1. Office Classification Criteria

Based on several factors, office buildings are graded and classified into Building Grades. Some of these factors include the building's age, project location, maintenance level, lease length, property owner credibility, and tenant profile. There are no established definitions for office space grades. However, there are general classifications where one can find common denominators as defined by key players in the real estate industry.

Prime (Premium): Buildings in this category boast high quality interior designs and exterior finishing. These are centrally located in business districts. They have substantial floor plates of not less than 1,000 square meters. They have a variety of exceptional and state-of-the-art amenities aside from the usual, basic building facilities.

Grade A: This type of building share similar attributes with that of prime buildings. The only difference is the minimal extra amenities that are featured in prime buildings.

Grade B and C buildings: The building structure and facilities of Grade B and C buildings are of lower quality compared to Grade A buildings. Floor plates are much smaller. In addition, back-up power and parking are normally limited. Compared with other office grades, rents are lower.

Building grade definition

Description	**Prime**	**Grade A**	**Grade B+**	**Grade B**	**Grade C**
Located in the CBD	✓	✓	✓	✓	✓
Located outside of the CBD			✓	✓	✓
High rise building	✓	✓	✓	✓	
At least 1,000 sqm	✓	✓	✓	✓	

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gross floor plate					
Minimum of 80% floor efficiency	✓	✓	✓	✓	
Curtain wall finish	✓	✓			
100% back – up power	✓	✓	✓		
Presence of a building management system	✓	✓	✓	✓	
Efficient air-conditioning system	✓	✓	✓	✓	
High speed elevators	✓	✓	✓	✓	
Good landscaping	✓	✓			
Has amenities	✓	✓			
Good tenant mix and profile	✓	✓			
Premium finishes	✓				

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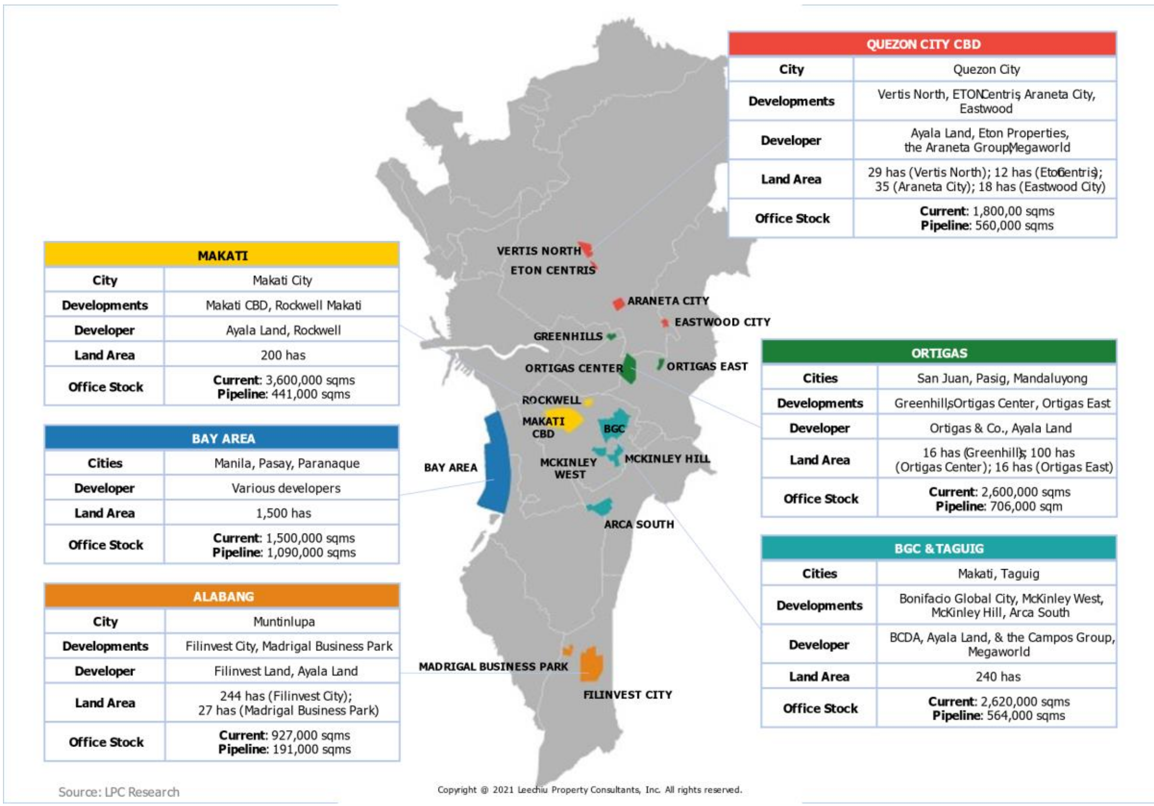
3.4. Metro Manila Office Market Overview



QUEZON CITY CBD	
City	Quezon City
Developments	Vertis North, ETON Centris, Araneta City, Eastwood
Developer	Ayala Land, Eton Properties, the Araneta Group, Megaworld
Land Area	29 has (Vertis North); 12 has (Eton Centris); 35 (Araneta City); 18 has (Eastwood City)
Office Stock	**Current**: 1,800,00 sqms **Pipeline**: 560,000 sqms

MAKATI	
City	Makati City
Developments	Makati CBD, Rockwell Makati
Developer	Ayala Land, Rockwell
Land Area	200 has
Office Stock	**Current**: 3,600,000 sqms **Pipeline**: 441,000 sqms

BAY AREA	
Cities	Manila, Pasay, Paranaque
Developer	Various developers
Land Area	1,500 has
Office Stock	**Current**: 1,500,000 sqms **Pipeline**: 1,090,000 sqms

ORTIGAS	
Cities	San Juan, Pasig, Mandaluyong
Developments	Greenhills, Ortigas Center, Ortigas East
Developer	Ortigas & Co., Ayala Land
Land Area	16 has (Greenhills); 100 has (Ortigas Center); 16 has (Ortigas East)
Office Stock	**Current**: 2,600,000 sqms **Pipeline**: 706,000 sqm

ALABANG	
City	Muntinlupa
Developments	Filinvest City, Madrigal Business Park
Developer	Filinvest Land, Ayala Land
Land Area	244 has (Filinvest City); 27 has (Madrigal Business Park)
Office Stock	**Current**: 927,000 sqms **Pipeline**: 191,000 sqms

BGC & TAGUIG	
Cities	Makati, Taguig
Developments	Bonifacio Global City, McKinley West, McKinley Hill, Arca South
Developer	BCDA, Ayala Land, & the Campos Group, Megaworld
Land Area	240 has
Office Stock	**Current**: 2,620,000 sqms **Pipeline**: 564,000 sqms

The Metro Manila Office Market is composed of several business districts, some long-established and others are newer emerging locations.

Metro Manila, as the primary market in the country, is considered the epicenter of economic growth in the Philippines. It also holds the majority of the office stock in the country as it has several key business districts such as Ortigas, BGC, and Makati. Bay Area and Alabang have also emerged to be POGO hotbeds. Meanwhile, micromarkets have also developed within the major cities in Metro Manila, these mostly refer to township developments such as Eastwood City in Quezon City and McKinley Hill in Taguig City. These micromarkets usually cater to a distinct set of tenants and have thus exhibited different trends compared to other major business districts.

3.4.1. Metro Manila Infrastructure Projects

The Duterte Administration has rolled out more than Php 3.6 trillion in public infrastructure projects from 2018 to 2020 that effectively increased the number of large sized projects to be completed before 2022. This is in line with the government's ambition for this administration to lead the golden age of infrastructure for the country. Former Budget Secretary Benjamin E. Diokno said a total of Php 8.4 trillion would be spent for infrastructure during the six-year Duterte administration so that the share of infrastructure spending in the gross domestic product would rise to 7.4 percent in 2022.

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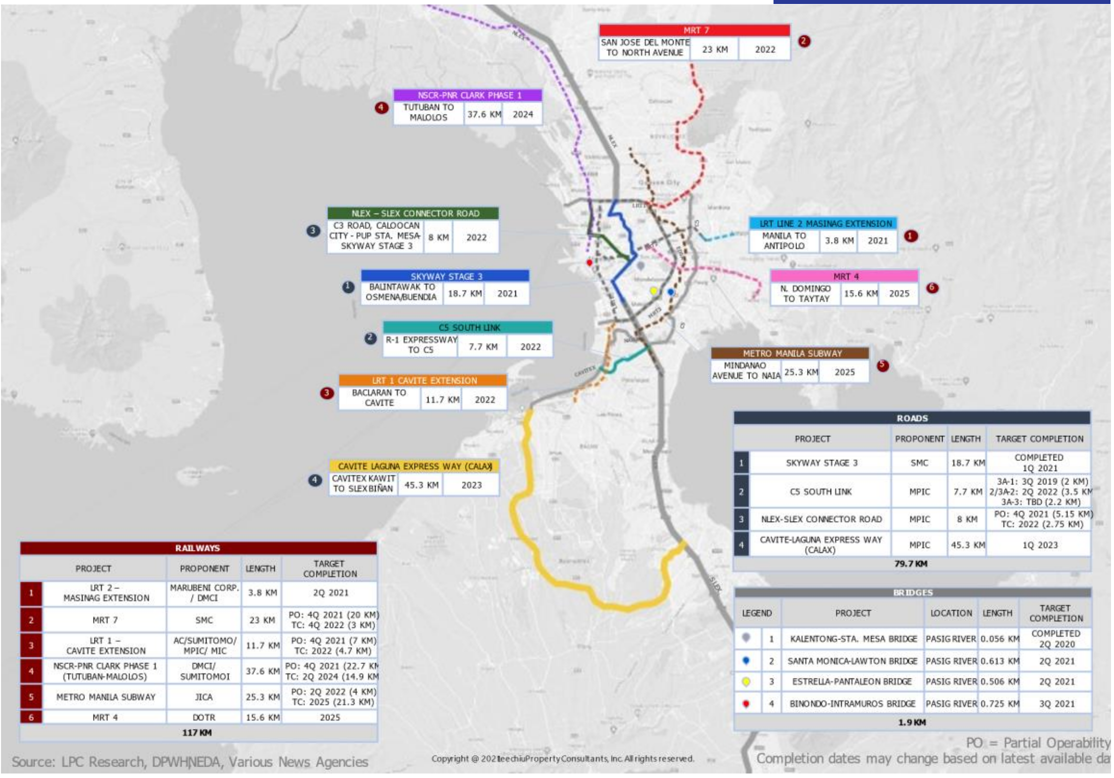

RAILWAYS

	PROJECT	PROPONENT	LENGTH	TARGET COMPLETION
1	LRT 2 – MASINAG EXTENSION	MARUBENI CORP. / DMCI	3.8 KM	2Q 2021
2	MRT 7	SMC	23 KM	PO: 4Q 2021 (20 KM) TC: 4Q 2022 (3 KM)
3	LRT 1 – CAVITE EXTENSION	AC/SUMITOMO/ MPIC/ MIC	11.7 KM	PO: 4Q 2021 (7 KM) TC: 2022 (4.7 KM)
4	NSCR-PNR CLARK PHASE 1 (TUTUBAN-MALOLOS)	DMCI/ SUMITOMOI	37.6 KM	PO: 4Q 2021 (22.7 KM TC: 2Q 2024 (14.9 KM
5	METRO MANILA SUBWAY	JICA	25.3 KM	PO: 2Q 2022 (4 KM) TC: 2025 (21.3 KM)
6	MRT 4	DOTR	15.6 KM	2025
	117 KM			

ROADS

	PROJECT	PROPONENT	LENGTH	TARGET COMPLETION
1	SKYWAY STAGE 3	SMC	18.7 KM	COMPLETED 1Q 2021
2	C5 SOUTH LINK	MPIC	7.7 KM	3A-1: 3Q 2019 (2 KM) 2/3A-2: 2Q 2022 (3.5 KM 3A-3: TBD (2.2 KM)
3	NLEX-SLEX CONNECTOR ROAD	MPIC	8 KM	PO: 4Q 2021 (5.15 KM) TC: 2022 (2.75 KM)
4	CAVITE-LAGUNA EXPRESS WAY (CALAX)	MPIC	45.3 KM	1Q 2023
	79.7 KM			

BRIDGES

LEGEND		PROJECT	LOCATION	LENGTH	TARGET COMPLETION
	1	KALENTONG-STA. MESA BRIDGE	PASIG RIVER	0.056 KM	COMPLETED 2Q 2020
	2	SANTA MONICA-LAWTON BRIDGE	PASIG RIVER	0.613 KM	2Q 2021
	3	ESTRELLA-PANTALEON BRIDGE	PASIG RIVER	0.506 KM	2Q 2021
	4	BINONDO-INTRAMUROS BRIDGE	PASIG RIVER	0.725 KM	3Q 2021
		1.9 KM			

Source: LPC Research, DPWH|NEDA, Various News Agencies

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PO = Partial Operability
Completion dates may change based on latest available da

Despite delays in completion dates, flagship infrastructure projects boost optimism for the Philippine economy in the coming years. The recent completion of the 18.7-kilometer Skyway Stage 3 will improve connectivity and increase productivity across Mega Manila. About 41.8 kilometers more from partial and full completion of railway, road, and bridge projects are set to be completed by the end of 2021. Another 136 kilometers more worth of infrastructure projects in Mega Manila are set to be completed from 2022 to 2025.

We foresee that the infrastructure projects pipeline for the Philippines will increase for the year as the PH government will be pushed to put back the unspent funds to the programs they were allotted. As of the end of February 2021, the PH government already ramped up expenditure on infrastructure to Php107.4 billion or a 14.4 percent year-on-year increase. Overall, the Philippine government had set aside 1.2 trillion or an equivalent of 5.9 percent of GDP for infrastructure developments in 2021.

Majority of the infrastructure projects have been on improved connectivity. With the expected reduction of travel times from home to office, the savings in terms of time on the road will result to better productivity of the employees.

3.5. Provincial Office Market Overview

Master-planned townships with work, live and play developments have become trendy locations for offices outside Metro Manila. Having residential, entertainment, civic, recreational, and office spaces located close to one another appeals to many companies looking for leasable office space. Next Wave Cities will be the alternative investment hubs outside Metro Manila and are expected to promote country-wide

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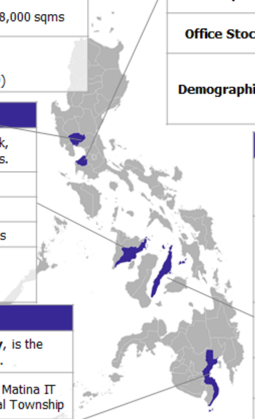
improvement, create job opportunities and economic advancement in their respective regions. These New wave Cities that have grown into key regional hubs in the country are Iloilo City, Cebu City, and Davao City. Cebu is the economic heart in the Visayas; and Iloilo has become the newest Central Business District of western Visayas. Davao City is the heart of economic activity in Mindanao. While Clark is poised to become the center of growth in Northern Luzon. Several localities within the provinces of Pampanga and Cavite have also increased in stature as potential business hubs.

CLARK & PAMPANGA		
Clark, a former US airbase, is becoming a **new gateway to the Philippines**, with its newly-built Clark International Airports and various developments.		
Developments	Clark Global City, Filinvest Mimosa, Capital Town, SM City Clark IT Park, New Clark City, Alviera	
Developers	Udenna, Filinvest, Megaworld, SM, Ayala Land	
Office Stock	**Clark**	**Current**: 236,000 sqms | **Pipeline**: 266,000 sqms
	Pampanga (outside Clark)	**Current**: 59,000 sqms | **Pipeline**: 38,000 sqms
Demographics (Pampanga)	**Population**: 2,943,337 (2021P) **Labor Force**: 1,012,246 (2021P) **Higher Education Graduates**: 19,334 (2019)	

CAVITE	
Cavite, with its proximity to Metro Manila and completion of critical infrastructure projects, has become an **attractive location for business and investment**. Continued growth is expected with the development of projects in the province.	
Developments	Suntech IT Park, Maple Grove, Evo City, Vermosa, South Forbes Cyber Park
Developers	PRO-FRIENDS, Megaworld, Ayala Land, Cathay Land
Office Stock	**Current**: 95,000 sqms | **Pipeline**: 45,000 sqms
Demographics	**Population**: 4,305,597 (2021P) **Labor Force**: 1,544,268 (2021P) **Higher Education Graduates**: 25,975 (2019)

ILOILO	
Iloilo, an **up-and-coming province**, is home to the Iloilo Business Park, which aims to be the **province's business district** in the next few years.	
Developments	Iloilo Business Park (IBP)
Developers	Megaworld
Office Stock	**Current**: 143,000 sqms | **Pipeline**: 111,000 sqms
Demographics	**Population**: 2,548,470 (2021P) **Labor Force**: 932,157 (2021P) **Higher Education Graduates**: 23,956 (2019)



CEBU	
Cebu, the **economic heart of the Visayas**, is an **alternative entry point** to getting to other locations in the country.	
Developments	Cebu IT Park, Cebu Business Park, Mactan Newtown, SM Seaside City Cebu, Oakridge Business Park, Gatewalk Central, Norkis Cyberpark
Developers	Ayala Land, Cebu Holdings, Megaworld, SM, ORDC, DEI Properties
Office Stock	**Current**: 1,433,000 sqms **Pipeline**: 449,000 sqms
Demographics	**Population**: 5,164,248 (2021P) **Labor Force**: 1,758,215 (2021P) **Higher Education Graduates**: 44,030 (2019)

DAVAO	
Davao City, **the third most important urban centers in the country**, is the **heart of economic activity** and modern amenities in the region.	
Developments	Davao Park District, Robinsons Cyberpark Davao, Matina IT Park, Abreeza, Lanang Business Park, Davao Global Township
Developers	Megaworld, Robinsons, Ayala Land, Plaza de Luisa Dev't. Inc., DSRDC, Cebu Land Masters
Office Stock	**Current**: 117,000 sqms | **Pipeline**: 18,000 sqms
Demographics (Davao del Sur)	**Population**: 2,576,354 (2021P) **Labor Force**: 815,510 (2021P) **Higher Education Graduates**: 19,215 (2019)

Source: LPC Research

4. Impact of COVID-19 on the Philippine Real Estate Office Leasing Market

The uncertainties brought by the COVID-19 pandemic made office occupiers take a conservative approach on decisions for expansion as well as re-evaluate their office space portfolio. Nevertheless, the IT-BPM industry continued to expand amidst the pandemic and continues to be the key driver of office demand. Take up from all other occupiers are seen to resume once office space use and density requirements imposed by the IATF are loosened and when public transport is allowed to operate.

We foresee a significant recovery and growth in overall office demand with as vaccinations begin to ramp up. As occupiers try to adapt to the pandemic, it is likelier that they may choose to implement a hybrid model, providing some employees the flexibility to work-from-home on a rotational basis. As employers begin to place greater emphasis on their employees' health and wellness, we may also begin seeing the implementation of larger individual workspaces to allow for social distancing.

At the time of writing, issues such as the current rotating black outs due to lack of power supply, data security, unstable internet connectivity, difficult work-home

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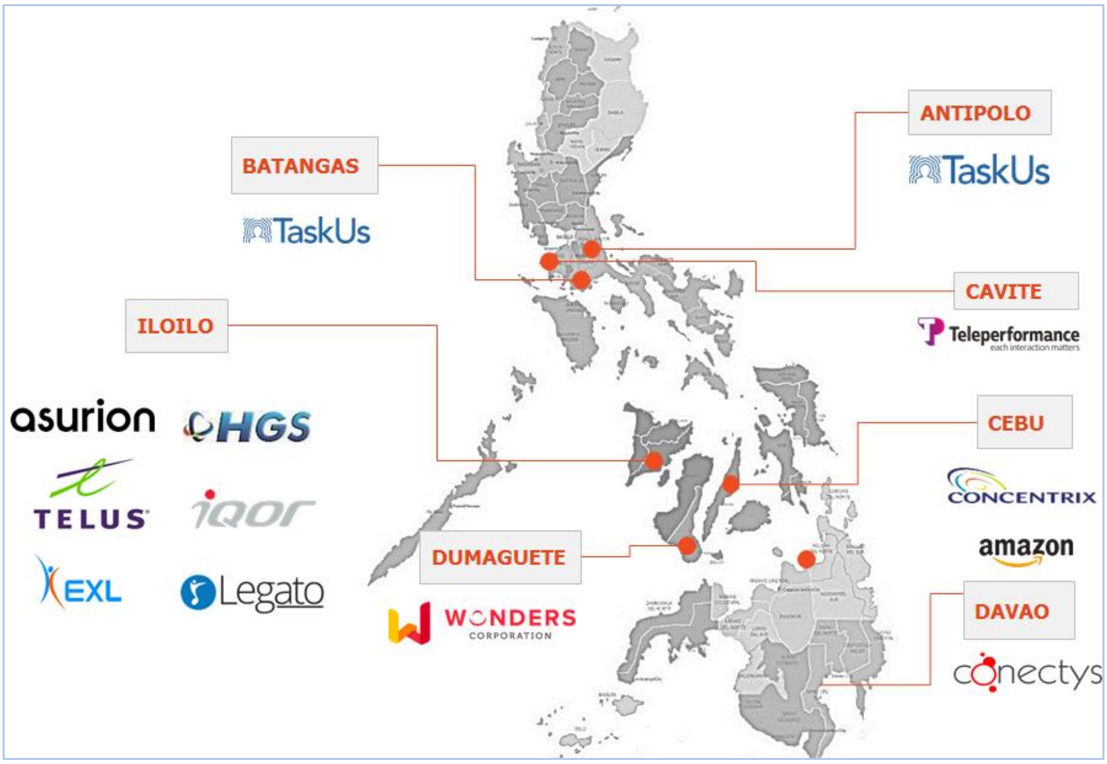
arrangements have already begun bringing employees back to the office. In addition to this, the applicability of PEZA benefits to WFH arrangements is seen to expire by September of 2021 which will push BPO companies to bring back employees to their offices.

4.1. *Trends and Practices of Office Tenant Groups*

We see POGOs to be the segment most impacted by the COVID-19 pandemic, as operators were unable to bring in their employees from China and the Philippine government imposing higher taxes on the industry.

We have also seen BPOs looking for office spaces outside of Metro Manila locations. These clients have felt that locations outside Metro Manila are easier to manage during the pandemic and these offer cheaper operating costs for the time being.

Notable BPO Players that have Recently Expanded to the Provinces (2020 – 2021)



4.2. *Resilience of the Office Market*

In the long run, we still see tenants continuing their office take-up in Metro Manila while provincial business districts also stand to see expansions as their respective local economies begin to recover.

The Philippine office market transacted 381,000 square meters of office spaces in 2020. Metro Manila absorbed 69.0 percent or 262,000 square meters of the transactions while provincial areas took the remaining 31.0 percent or 119,000 square

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meters. Iloilo, with 50,000 square meters, became the largest recipient of demand outside Metro Manila, beating Cebu and Clark.

The IT-BPM sector remains to be the main driver of the Philippine real estate industry, absorbing 48.0 percent or 182,000 square meters of demand, as outsourcing to the Philippines continues to be a viable option for global businesses.

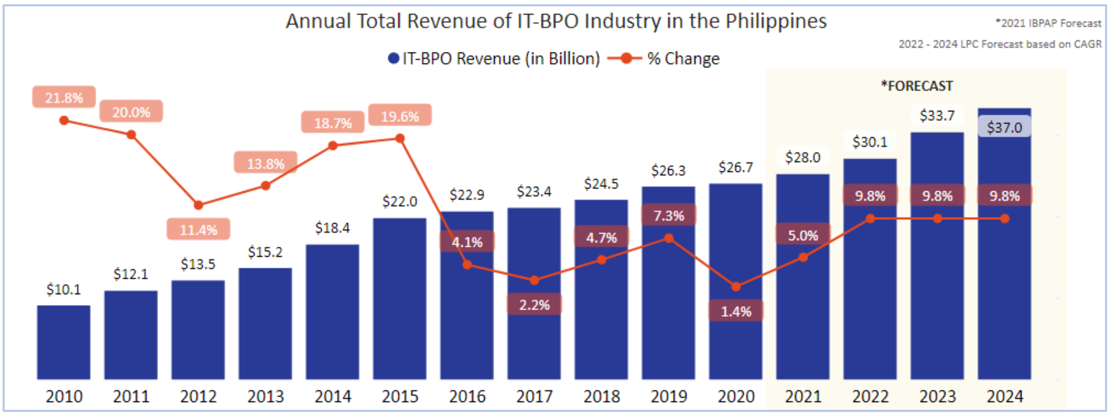
We only see work-from-home as a temporary measure for business continuity, and in the long run, employees will eventually be asked to come back to the office, particularly in the Philippines, given the numerous issues that employees working from home face.

First, the country's internet infrastructure still needs a lot of improvement. Over the years, studies have shown that the country has one of the most expensive, yet least stable and slowest internet connections in the world. Other factors that employers will consider, particularly in the IT-BPM industry would be data security concerns, quality control and oversight issues, work-from-home fatigue that employees face given the extended work-from-home arrangements, lack of conducive working spaces as many Filipino employees live in shared spaces with not much room to work alone, and the recent power outage issue given the lack of power supply that the country faced.

Aside from these, PEZA will also require PEZA-registered firms availing of incentives to start moving their operations back to their respective offices; should they not extend the exemption provided to these firms beyond the current deadline of September 2021 – this is seen to be a major push factor for employers to start implementing return-to-office schemes.

The continued ramp-up of the vaccine rollout in the country will also reduce employees' fear for their health and increase the confidence of employers to ramp up the reopening of offices.

5. Philippine IT-BPM Industry



Source: Bangko Sentral ng Pilipinas (BSP); IBPAP

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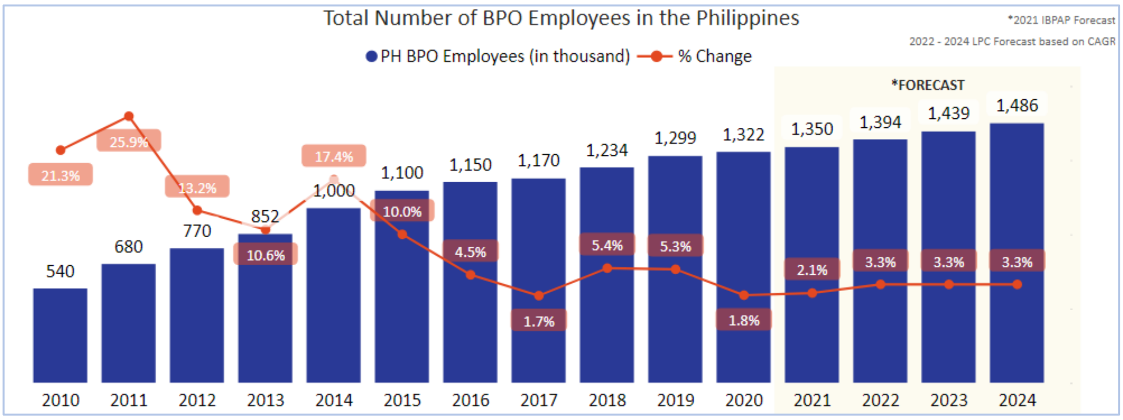
The IT-BPM sector in the Philippines grew at a CAGR of 10.2 percent from 2010-2020 as the Philippine government started to enact policies to facilitate the industry's growth – seeing it as a key driver of the Philippine economy. This government thrust, coupled with the growth of business process outsourcing (BPO) activities in the world, resulting from the desire of companies to lower operating costs without sacrificing quality of service led to the expansion of the sector.

The IT-BPM industry continued to grow in 2020 despite the strict density rules set on office space use and the difficulties in commuting arising from the quarantines. Information Technology and Business Process Association of the Philippines (IBPAP) president, Rey Untal, reported that the sector grew its revenues by 1.4 percent. IBPAP also sees a continuing positive outlook in the BPO sector this year 2021 with projected growth of 5.0 percent to 6.5 percent. By the end of 2024, IBPAP expects the industry's revenues are expected to grow to US$37.0 billion.



Source: Bangko Sentral ng Pilipinas (BSP); IBPAP

IT-BPM Companies also hired 1.8 percent more employees in 2020. As the economic crisis stretched, outsourcing became an increasing viable option for western companies to cut and manage costs.

The sector is seen as one of the largest employers in the country, which has also caused the growth of the office market across business hubs in the Philippines. The country continues to be seen as a leading IT-BPM location due to the competitive operational costs provided by the country and its fluent English-speaking talent pool.

A functional literacy rate of 91.6 percent as of 2019 (according to the Philippine Statistics Authority) and ranking 27th in Education First's 2020 English proficiency index (second only to Singapore in Asia), has also made the country an ideal IT-BPM destination, particularly for voice operations. These factors, coupled with the growing working population in the country, has further attracted IT-BPM firms to locate in the country as this translates to a skilled and large talent pool. Majority of the Filipinos employed by BPOs also belong to the 20–40-year-old age group.

In terms of office selection, bigger IT-BPM companies often account for the following set of parameters: availability of talent pool, availability of larger floor plates, quality

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of IT infrastructure, presence of complementary developments in the area, and the affordability of rent.

Over the years, IT-BPM companies have also developed a preference for locating into townships beyond, but still near, the major CBDs of Makati, BGC, and Ortigas, primarily due to affordability of rent and the integrated community development that IT-BPM employees look for. To this point, average office rents in Eastwood, McKinley Hill, and Iloilo Business Park are generally cheaper compared to BGC and Makati as well as other neighboring outsourcing destinations abroad. The presence of complementary developments such as residential, leisure, entertainment and institutional properties are also assessed by IT-BPM companies as one of the main driving factors for choosing to locate in major township developments. PEZA incentives have also played a factor into companies' decision-making process.

As the pandemic resulted into an economic downturn across Philippine industries, the IT-BPM industry was able to remain strong. Although the industry was initially disrupted by fluctuations in demand and restrictions on the mobility of workers during the early part of the COVID-19 pandemic, BPO operators were able to quickly implement remote working arrangements and offices were also able to remain open and operational even throughout the country's strictest quarantine measures. Given the essential nature of services provided by the industry – providing critical support for the continuity of global firms, the government allowed operators to continue their service delivery albeit with a limited in-office capacity. Service demand for the operators also eventually picked up as e-commerce, financial services, and other industries boosted operator activity as consumers increasingly embraced online channels to service their needs. As a result, revenues for the sector still managed to grow by 1.4 percent significantly outperforming the Philippine economy which saw a GDP decline of 9.5 percent in 2020.

Work-from-home arrangements were also seen as a move for business continuity as well to keep employee attrition to a minimum. Although, this will move a portion of the workforce outside of the office, we do not see this having a significant impact to office demand in the long run. Issues such as the current rotating black outs due to lack of power supply, data security, unstable internet connectivity, difficult work-home arrangements are already bringing employees back to the office. In addition, the applicability of PEZA benefits to a work-from-home arrangement is seen to expire by September of 2021 which will force companies to bring back more employees. Lastly, as businesses continue to look for ways to cut down operational costs and keep operations lean because of the pandemic, we see a potential increase for outsourcing operations to countries like the Philippines. Tax incentives provided by PEZA will also help convince businesses to establish outsourced operations in the country.

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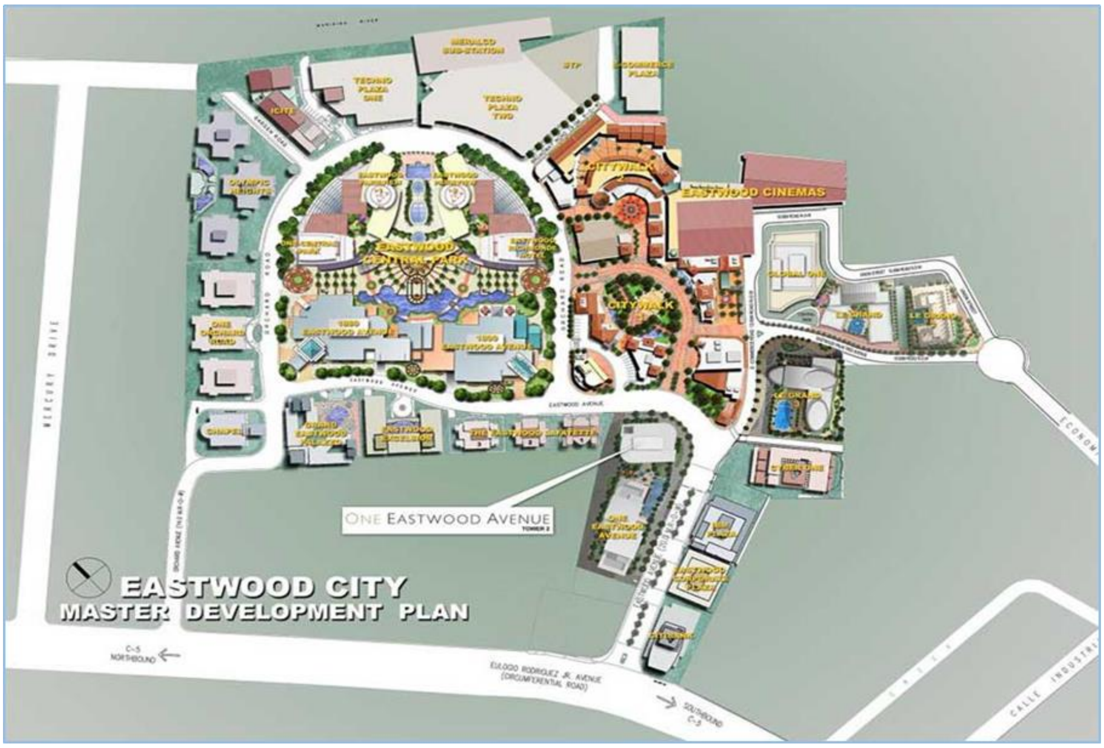
6. Overview of the Eastwood City, McKinley Hill, and Iloilo Business Parks Micro Markets

We see Megaworld townships as pockets of stability. Megaworld pioneered the live-work-play concept in the country and continues to be the market leader for township developments. A key differentiator of their projects from the rest of the competition is their design. All their township developments were master-planned with considerations and inspirations from European architecture.

The retail spaces in Megaworld's townships are also small and thus nimble. Many are outdoor oriented spaces which allow for maximum capacity despite IATF restrictions during the pandemic. As a result, their food and retail tenants have not been as badly hit.

Strategically, all Megaworld developments are situated in advantageous locations with close proximity to major roads and highways, train stations, other financial and business districts, and institutions. We see its township concept as best positioned to ride the recovery wave and subsequent growth.

6.1. Eastwood City



6.1.1. Description

Megaworld pioneered township developments in the Philippines that embody the concept of integrated "live-work-play" communities. Megaworld launched Eastwood

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City in 1996 in Libis, Quezon City. With an approximate area of 18.5 hectares, Megaworld was able to establish an iconic township which eventually became the model for other aspiring real estate developers in the country. It is also considered to be the country's first cyberpark after being the pioneer recipient of the Special Economic Zone for Information Technology status from the Philippine Economic Zone Authority (PEZA) in the late 1990s, which gave birth to the Philippine BPO industry.

Eastwood City is home to 24 residential condominium towers, 10 corporate office buildings, a lifestyle mall, educational institutions, medical clinics, fitness centers, al fresco retail parks, open leisure parks, a church, as well as its own designated police station and a fire station. It was also designed to provide smart technology to its offices.

6.1.2. Policies and Incentives Available

As a cyberpark, Eastwood City's developments are eligible for fiscal and non-fiscal incentives given by the government for PEZA-registered businesses. In addition to this, the Local Government of Quezon City has also given tax credits to taxpayers in the area who have dutifully paid their real property and socialized housing taxes for the last five years. This was a result of the taxpayers' invaluable assistance in realizing the 35-housing program for the underprivileged and homeless citizens of Quezon City.

6.1.3. Location

Eastwood City is strategically located along C-5, one of Metro Manila's most expansive avenues that connects the South Luzon Expressway (one of two (2) major expressways connecting Metro Manila to the rest of Luzon) to various major central business districts such as Ortigas, and BGC. Eastwood City also has access to the various major thoroughfares of Quezon City. Eastwood City is also in close proximity to some train stations. Closest to the property are the LRT-2 Stations, Santolan and Katipunan. Both can be reached by car within 15 minutes with a distance of less than 5 kilometers.

Eastwood City is also just within a 15-minute drive from several high-end subdivisions such as White Plains, Blue Ridge, and Acropolis. A 20-minute drive to the north from Eastwood City are some of the country's major colleges and universities, such as the University of the Philippines-Diliman, Ateneo de Manila University, and Miriam College.

6.1.4. iTownship Program

Megaworld has also launched its iTownship program in Eastwood, integrating smart technology and innovations to their township developments to capitalize on the benefits of digital advancements. These includes home-improvement technology, energy-efficient materials for structural design, security, and safety.

6.1.5. Office Stock in Eastwood City

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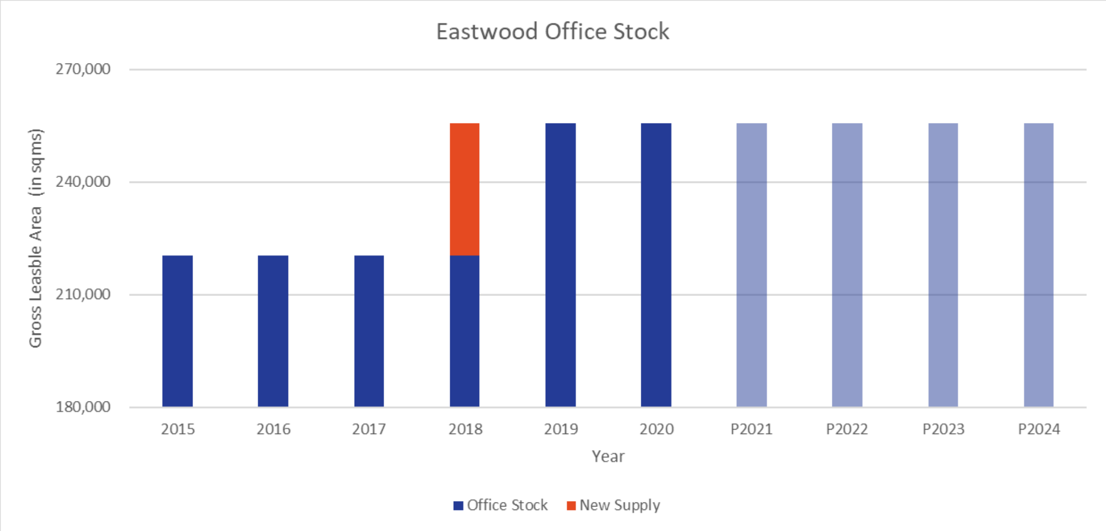
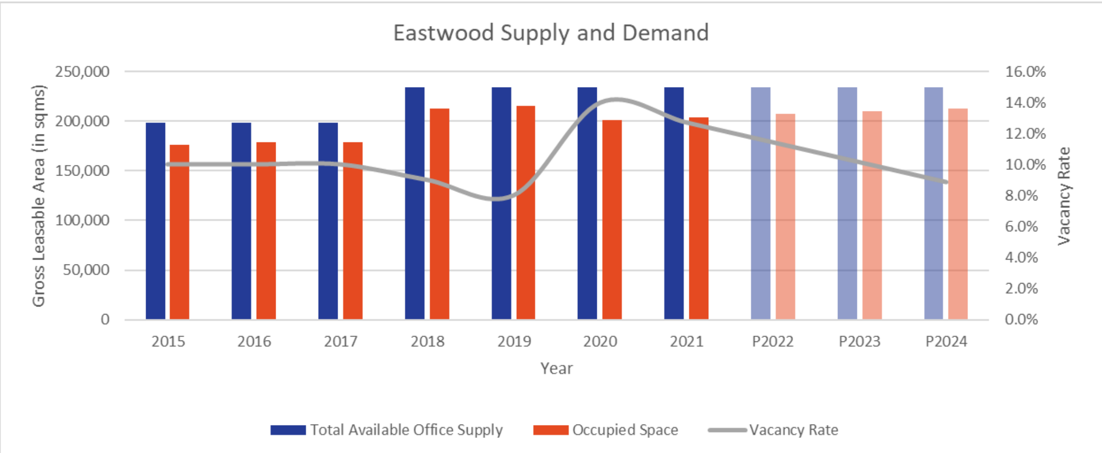
Megaworld started offering leasable spaces in Eastwood City in 1999. The highest office supply available to the market was in 2018 with a leasable area of 255,709 square meters. Total leasable area increased by 16 per cent with additional new supply of 35,400 square meters. There was no additional supply of leasable spaces thereafter. We do not foresee new office supply moving forward, as Eastwood is already fully developed.



6.1.6. *Office Supply, Demand, and Vacancy in Eastwood City*



Eastwood has been averaging 200,000 square meters of occupied space. As the pioneer in catering to IT-BPM tenants, Eastwood City is seen as an ideal location by many locators. However, the master-planned development is almost fully built up with little room for expansion.

Vacancy in 2020 went up to 14.0 percent because of the COVID-19 pandemic. We see Eastwood continuing to attract IT-BPM locators. Vacancy rates will start to drop to 2019 levels at a projected annual take up of 2,500 to 3,000 square meters.

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6.1.7. Eastwood City Lease Rates

Eastwood City's lease rates have ranged from Php725 to Php900 in 2020 which is a slight drop form the pre-COVID rents of Php750 to Php1,000 per square meter per month. A low of Php560 per square meter rent was recorded in the first quarter of 2021, but we see this as a one-off transaction granted to a single tenant due to special circumstances and will not influence overall rent levels.

We see rents in Eastwood City to remain flat for 2021 with a possibility of increase at the last quarter of 2021. With positive developments in IT-BPM demand and vaccination rollouts, we expect rents in 2022 to recover and grow by 5.0 percent.

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6.2. McKinley Hill

6.2.1. Description

McKinley Hill is a 50-hectare integrated urban township inside Fort Bonifacio, a former military camp in Taguig City. It is a pre-dominantly Italian-themed sustainable community that integrates residential, office, commercial and retail, sports, and recreation, as well as institutional components into a mini-city. Among Megaworld's various townships in Metro Manila, McKinley Hill offers the widest choices of residential properties, offering subdivision lots in its exclusive McKinley Hill Village, villa-type enclaves, gated condominium clusters, and high-rise condominium towers. The township has also been known for its rows of campus-type office buildings that are all PEZA accredited special economic zones for information technology, resembling those in Silicon Valley. Companies that occupy most of the office properties in McKinley Hill are primarily involved in software development, data encoding and conversion, customer service, call center operations, system integrations, as well as IT and computer system support.

At the heart of McKinley Hill is the Venice Piazza and the Venice Grand Canal Mall, highlighted by its replica of the famous Venice waterways and the Ponte Rialto Bridge. The mall allows shoppers and visitors to ride gondolas steered by singing gondoliers, an attraction that has earned it the title of the "most romantic mall in the Philippines." On both sides of the canal are restaurants and bars, and multi-level verandas that offer mall-goers picturesque views of the entire waterway.

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McKinley Hill is also home to three (3) renowned international schools: the Chinese International School, the Korean International School, and Enderun College, a hotel management institution affiliated with Les Roches of Switzerland. Four foreign embassies also found a home in the township, namely, the British Embassy, the Italian Embassy, the Embassy of the Republic of Korea, and the Embassy of the United Arab Emirates. McKinley Hill also hosts one of the country's most modern football stadiums—the McKinley Hill Stadium—which now serves as the training base of the United Football League (UFL) and the Philippine Rugby Football Union.

6.2.2. Policies and Incentives Available

McKinley Hill is considered as one of the most prominent IT / cyber parks in Metro Manila and is therefore qualified for fiscal and non-fiscal incentives for PEZA registered businesses.

6.2.3. Location

Strategically located at the South of Bonifacio Global City, McKinley Hill is one of the country's most renowned financial centers that offers a luxurious living lifestyle for its residents.

The township is also directly connected to C-5 and is easily accessible to other Metro Manila main road arteries such as EDSA and key expressways such as the South Luzon Expressway, and is 30 minutes away from NAIA, the main international airport of the country. Connectivity to the township is also expected to further improve with the expansion of Lawton Avenue, which directly connects the township to the airport, and the upcoming completion of the Sta. Monica-Lawton Bridge, which will provide shorter travel time between Taguig City and Pasig City. A proposal to build a monorail connecting the Metro Rail Transit's Guadalupe Station to Bonifacio Global City will further improve accessibility to McKinley Hill. A station of the Mega Manila Subway will also be built within the periphery of the township, complementing the existing public transport hub inside the township.

McKinley Hill will also be in close proximity to major government offices in Taguig City such as the Supreme Court of the Philippines and the Senate of the Philippines, both of which are expected to be completed by 2022.

6.2.4. iTownship Program

Megaworld has also launched its iTownship program in McKinley Hill similar with Eastwood City.

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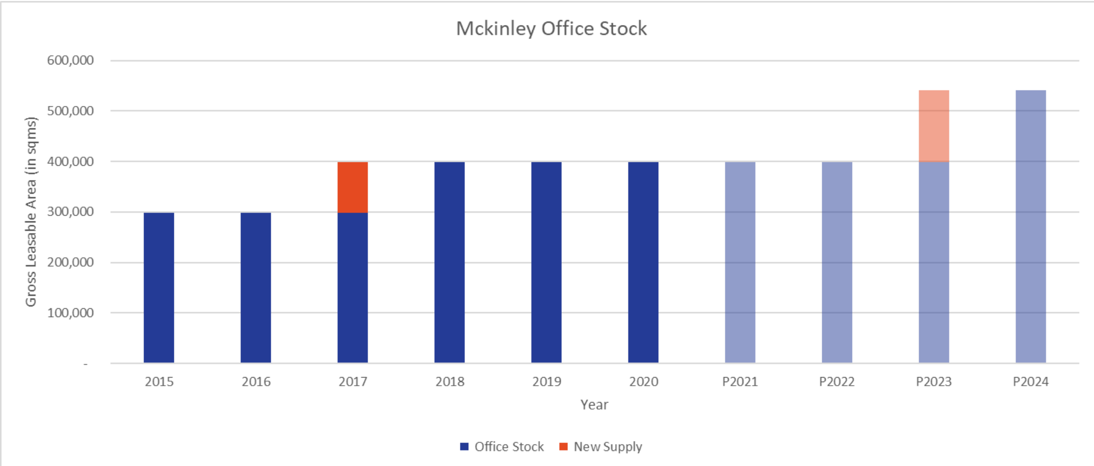
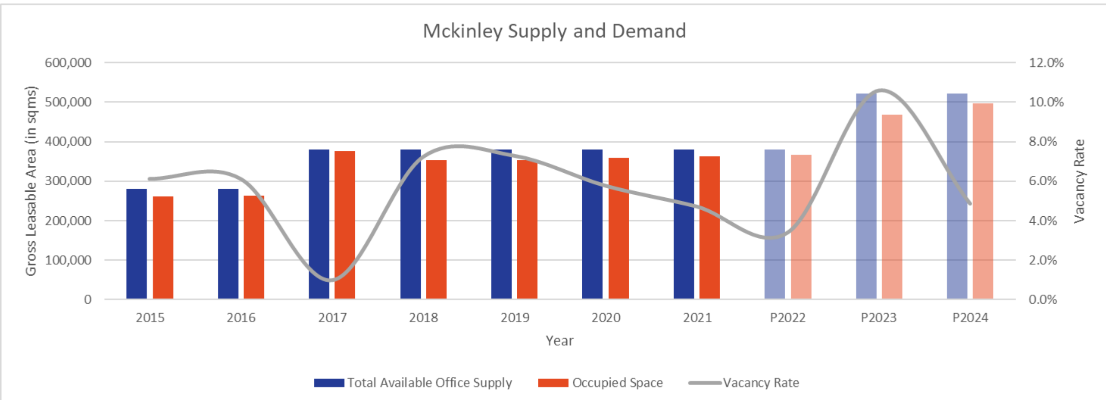
6.2.5. Office Stock in McKinley Hill

There was no additional office supply in the township from 2013 to 2016, from 2017 onwards – there is also no expectation of additional supply given the maturing development status of the township. By 2023, office stock will rise to 541,029 square meters or an increase of 36 percent. This is from the completion of Fifty-Six Central by Daiichi Properties. This project will add 44,000 square meters of office space. Another Megaworld project called Two McWest will bring in an additional 54,482 square meters.



The available land plots for development and the upcoming Mega Manila Subway will increase demand for the area, making the district more desirable for IT-BPM companies and their employees.

6.2.6. Office Supply, Demand, and Vacancy in McKinley Hill



McKinley Hill has also established itself as one of the most prominent alternative business districts in Taguig City. This is evident with the continued low vacancy in the area. In 2017 the vacancy is at its lowest at 1.0 percent while the new supply of 100,000 square meters were quickly absorbed by the market. Vacancy may increase with the release of 541,029 square meters of office space by the year 2023 which we estimate to rise to 10.6 percent. We see vacancies to quickly decline by 2022 as well

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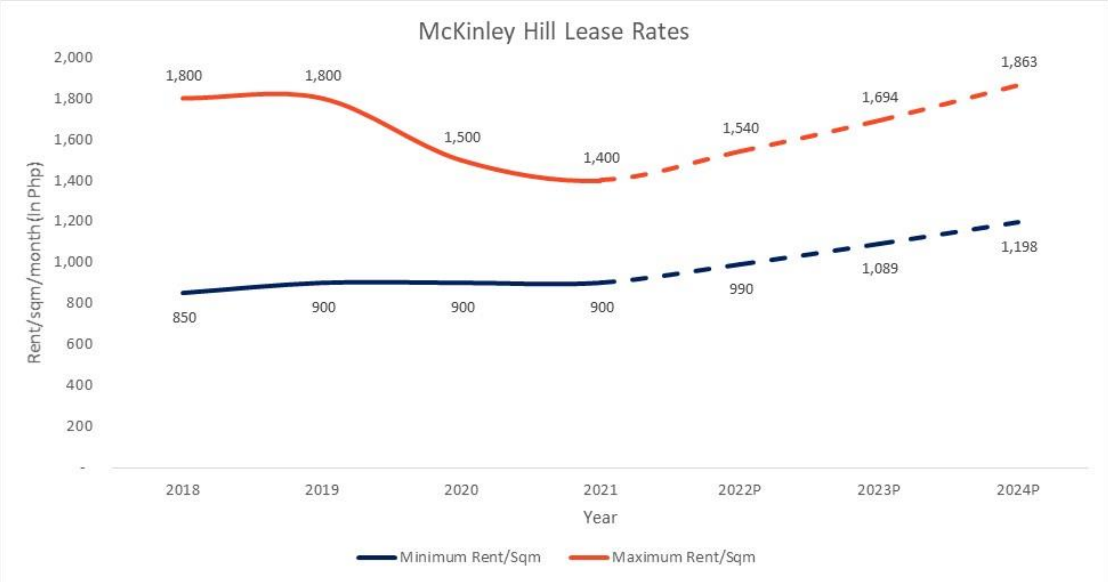
as by 2024 after the new buildings have been made available to the market due to its prime location.

6.2.7. McKinley Hill Lease Rates



The upper end of the rent range for McKinley Hill saw a decline from the highs of 2019 down in 2020 due to the COVID-19 pandemic. This has stabilized at Php1,400 per sqm in the first quarter of 2021. Minimum rents have remained stable at Php900 by is expected to start moving up by end 2021 and early 2022. We project rent growth at 10.0 percent with a potential to go back to the Php1,800 rents by late 2023 to 2024.

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6.3. Iloilo Business Park

6.3.1. Description

Iloilo Business Park (IBP) is a mixed-use master-planned development with a land area of 72 hectares in the district of Mandurriao, Iloilo City. This is envisioned to be the new central business district of Western Visayas, strategically located at the heart of Iloilo City, which is a center for education and the largest source of quality labor in western Visayas. The Iloilo Business Park pioneered the establishment of the Mandurriao district in Iloilo City as a new growth center. IBP is now considered as the newest central business district in Iloilo.

6.3.2. Policies and Incentives Available

Iloilo Business Park was registered as a Special Economic Zone which qualifies it for fiscal and fiscal incentives given by the government. Adding to this, Iloilo City has lower local tax rates compared to other locations including Metro Manila.

6.3.3. Location

Iloilo City is one of the fastest growing highly urbanized cities in the Philippines, having one of the country's most modern airports and one of the country's busiest seaports, along with wide roads and river-side boulevards. Iloilo City also serves as a gateway to the rest of Panay Island and other nearby islands, and a regional center for various government agencies and offices. It is easily accessible for other key destinations in Western Visayas: Iloilo is a one-hour ferry ride to another regional urban center, Bacolod City, and a four-hour drive to Caticlan, the gateway to one of the best beach islands in the world according to various publications — Boracay Island.

Iloilo Business Park is located along Megaworld Boulevard and has direct access to major roads in Iloilo, Aleosan Road and Old Iloilo to Capiz Road

6.3.4. Office Stock in Iloilo Business Park

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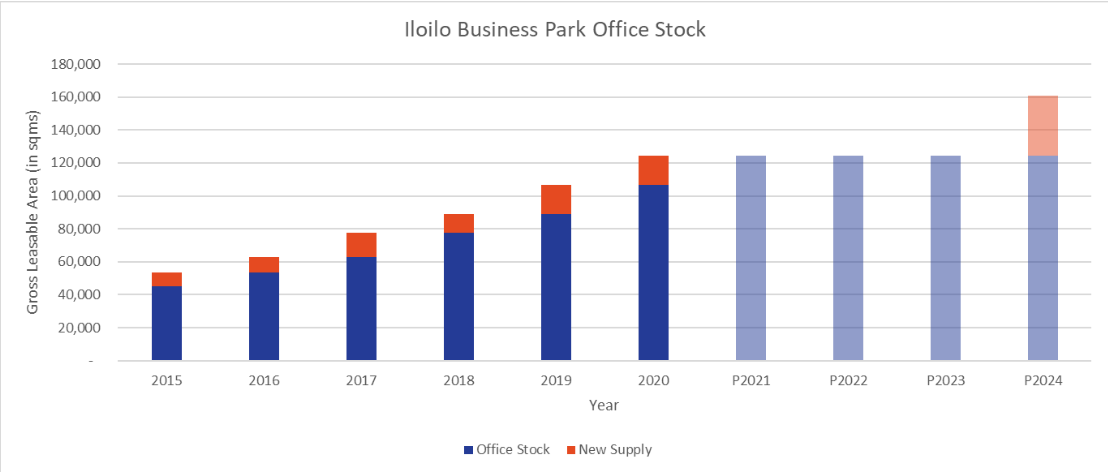
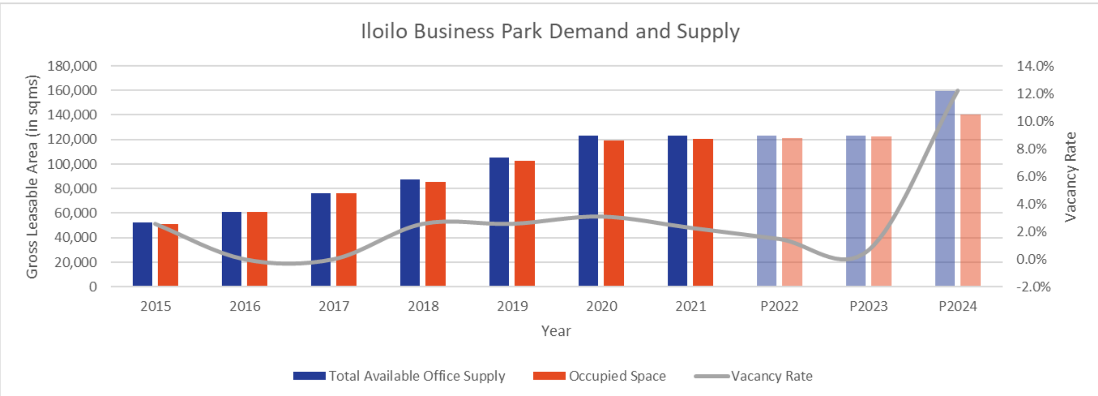
From 2014 to 2020, Iloilo Business Park has consistently added new office space to the township every year. The annual average new supply in Iloilo Business Park is 13,000 square meters of leasable space. To date, total office stock is at 124,341 square meters. An additional 36,700 square meters of office space is expected to be available in 2024.

The upcoming office development in 2024 is Enterprise One from Megaworld bringing total office stock up to 161,041 square meters.



6.3.5. *Office Supply, Demand, and Vacancy in Iloilo Business Park*



Despite consistently contributing office space annually, vacancies in Iloilo remain low between 2.0 percent to 3.0 percent year on year. Vacancy is expected to increase by 12.0 percent with the addition in supply by 2024.

We see vacancies to quickly drop to the low single digits. IT-BPM companies consider Iloilo City as an ideal expansion area following the recent trend of finding secondary locations outside of Metro Manila to implement a hub-and-spoke operating model.

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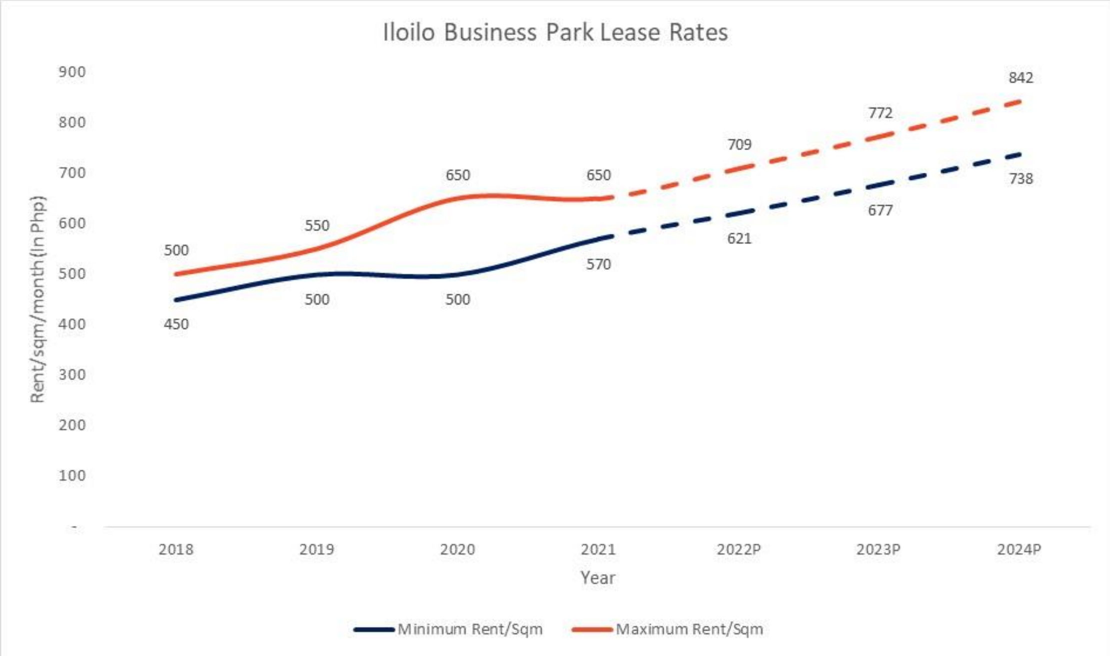
6.3.6. Iloilo Business Park Lease Rates



Iloilo City is considered as part of the top three (3) in terms of preference by IT-BPM companies for locations outside of Metro Manila due to the quality of potential employees. This is on top of the exemplary local government support given to the industry. While the big developers are in the Mandurriao area, there is still a lack of supply. These three factors, plus the fourth factor of cost savings, have kept rents in Iloilo Business Park strong despite the pandemic.

We see rents in Iloilo Business Park to continue rising as high as 9.0 percent as IT-BPM companies continue to expand outwards from Metro Manila.

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COMPANY
MREIT, INC.
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City, Philippines

SELLING SHAREHOLDER
MEGAWORLD CORPORATION
30th Floor, Alliance Global Tower
Uptown Bonifacio
Taguig City, Metro Manila, Philippines

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

BDO Capital & Investment Corporation
33rd Floor, BDO Towers Valero, 8741
Paseo de Roxas, Salcedo Village
Makati City 1226, Philippines

Credit Suisse (Singapore) Limited
One Raffles Link
#03-01 South Lobby
Singapore 039393

DBS Bank Ltd.
12 Marina Boulevard, Level 46
Marina Bay Financial Centre Tower 3
Singapore 018982

INTERNATIONAL BOOKRUNNER

CLSA Limited
18/F One Pacific Place,
88 Queensway, Hong Kong

DOMESTIC CO-LEAD UNDERWRITERS

First Metro Investment Corporation
6813 Ayala Ave. cor. H.V. dela Costa St.
1227 Makati City, Philippines

Investment & Capital Corporation of the Philippines
17F Robinson Summit Center, 6783 Ayala Avenue
Makati City, Philippines

RCBC Capital Corporation
21st Floor RCBC Plaza Tower 2, 0727
6819 Ayala Ave, Makati
1227 Grand Manille, Philippines

SB Capital Investment Corporation
18F, Security Bank Centre, 6776 Ayala Ave.
Makati City, Philippines

LEGAL ADVISORS

to the Company and Selling Shareholder as to Philippine law

Picazo Buyco Tan Fider & Santos
Penthouse, Liberty Center-Picazo Law
104 H.V. Dela Costa Street
Salcedo Village
Makati City, Philippines

to the International Bookrunners and the Domestic Underwriters as to Philippine law

Angara Abello Concepcion Regala & Cruz Law Offices
22/F ACCRALAW Tower
2nd Avenue corner 30th Street
Crescent Park West, Bonifacio Global City
Taguig City 1635, Philippines

to the Company and Selling Shareholder as to United States Federal and New York State Law

Latham & Watkins LLP
18/F, One Exchange Square
8 Connaught Place, Central, Hong Kong

to the International Bookrunners and the Domestic Underwriters as to United States Federal and New York State Law

Milbank LLP
30/F Alexandra House
Central, Hong Kong

INDEPENDENT AUDITOR

P&A Grant Thornton
20th Floor, Tower 1 The Enterprise Center
6766 Ayala Avenue, 1200 Makati City, Philippines

SELLING AGENTS

Eligible Trading Participants of The Philippine Stock Exchange, Inc.