

# COVER SHEET

SEC Registration Number

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**Company Name**

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Principal Office (No./Street/Barangay/City/Town/Province)

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KARREN MAE C. DE CHAVEZ-REODICA

Contact Person

(632) 8894-6300/6400

Company Telephone Number

06  
Month Day  
Annual Meeting

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Total No. of Stockholders

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel Concerned

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Document ID

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## STAMPS

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PSE Security Code \_\_\_\_\_  
SEC Number CS202052294  
File Number \_\_\_\_\_

**MREIT, INC.**

\_\_\_\_\_  
(Company's Full Name)

**18<sup>TH</sup> FLOOR ALLIANCE GLOBAL TOWER, 36<sup>TH</sup> STREET CORNER  
11<sup>TH</sup> AVENUE, UPTOWN BONIFACIO, TAGUIG CITY 1634,  
METRO MANILA, PHILIPPINES**

\_\_\_\_\_  
(Company's Address)

**(02) 88946400**

\_\_\_\_\_  
(Company's Telephone Number)

**DECEMBER 31**

\_\_\_\_\_  
(Fiscal Year Ending)  
(Month & Day)

**SEC FORM 20-IS (DEFINITIVE INFORMATION SHEET)  
2023 ANNUAL STOCKHOLDERS' MEETING**

\_\_\_\_\_  
(Form Type)

\_\_\_\_\_  
(Amendment Designation, if Applicable)

\_\_\_\_\_  
Period Ended Date

**PERMIT TO OFFER SECURITIES FOR SALE**

\_\_\_\_\_  
(Secondary License Type, if any)

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: MREIT, Inc.
3. Metro Manila, Philippines  
Province, country or other jurisdiction of incorporation or organization
4. CS202052294  
SEC Identification Number
5. 502-228-971  
BIR Tax Identification Code
6. 18<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634  
Address of principal office
7. (02) 88946400  
Registrant's telephone number, including area code
8. 2 June 2023, 9:00 a.m. by livestream access via <https://mreit.com.ph/asm2023>  
Date, time and place of the meeting of security holders
9. 12 May 2023  
Approximate date on which the Information Statement is first to be sent or given to security holders
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA  

| Title of Each Class | Number of Shares of Stock Outstanding |
|---------------------|---------------------------------------|
| <b>Common</b>       | <b>2,795,821,381<sup>1</sup></b>      |
11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?  

☒ Yes☐ No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

|                                  |                      |
|----------------------------------|----------------------|
| <b>Philippine Stock Exchange</b> | <b>Common Shares</b> |
|----------------------------------|----------------------|

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<sup>1</sup> As of 31 March 2023, MREIT, Inc. has a total of 2,795,821,381 common shares issued and outstanding. 2,532,121,381 common shares are listed in the Philippine Stock Exchange, while the 263,700,000 common shares issued in March 2023 will also be applied for listing with the Exchange.



18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City, Philippines, 1634

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To all stockholders of  
**MREIT, INC.**

NOTICE IS HEREBY GIVEN that the 2023 Annual Meeting of Stockholders (the "Annual Meeting") of MREIT, Inc. (the "Company") will be held on **2 June 2023 at 9:00 a.m.** to be conducted virtually, through the link <https://mreit.com.ph/asm2023> that can be accessed through the Company's website, with the following agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Approval of the Minutes of the Previous Stockholders' Meeting held on 27 May 2022
4. Annual Report of Management
5. Appointment of External Auditors
6. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
7. Election of Directors
8. Other Matters
9. Adjournment

Stockholders of record as of 5 May 2023 will be entitled to notice of, and to vote at, the Annual Meeting. Pursuant to Article 2, Sections 5 and 7 of the Company's Amended By-Laws and Sections 57 and 23 of the Revised Corporation Code, and to conform with the government's regulation on social distancing and prohibition on mass gatherings, the Company decided to hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or in absentia, or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 AM of 9 May 2023 until 5:00 PM of 23 May 2023. The procedure for participation via remote communication and in absentia are contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 PM of 23 May 2023, to the Office of the Corporate Secretary at the 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City or by email to [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph). Validation of proxies shall be held on 26 May 2023. A sample proxy form will be enclosed in the Information Statement for your convenience.

Copies of the Information Statement, the Management Report, SEC Form 17-A (Annual Report), and other relevant reports and disclosures shall be made available in the Company's Website (<https://mreit.com.ph/>) and in PSE Edge.

Taguig City, Philippines, 28 March 2023.

  
**MARIA CARLA T. UYKIM**  
Corporate Secretary

\* The Notice of Meeting was distributed through alternative modes of distribution as follows:

- a. Published in the print and online publications of Philippine Star on April 11 and 12, 2023;
- b. Published in the print and online publications of Business World on April 11 and 12, 2023;
- c. Uploaded in PSE Edge – [https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=9d8a8c6e18287e699e4dc6f6c9b65995](https://edge.pse.com.ph/openDiscViewer.do?edge_no=9d8a8c6e18287e699e4dc6f6c9b65995)
- d. Uploaded in the Company's website – <https://mreit.com.ph/assets/genericpage/files/frame-2/MREIT-Notice-of-ASM-2023.pdf>

## **EXPLANATION OF AGENDA ITEMS**

### **1. Call to Order**

The meeting will be formally opened at approximately 9:00 o'clock in the morning.

### **2. Certification of Notice and Quorum**

The Corporate Secretary will certify that the written notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify that a quorum exists, and the Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Pursuant to Article 2, Sections 5 and 7 of the Company's Amended By-Laws and Sections 57 and 23 of the Revised Corporation Code, which allow voting through remote communication or *in absentia* by the stockholders, Stockholders may register by submitting requirements via email at [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph) and vote through remote communication or *in absentia* on the matters for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2023 Annual Meeting for complete information on remote participation or voting in absentia, as well as on how to join the livestream for the 2023 Annual Meeting.

### **3. Approval of Minutes of the Previous Annual Meeting**

The minutes of the annual meeting held on 27 May 2022 is available at the Company's website through this link <https://mreit.com.ph/disclosures/minutes-of-stockholders-meetings/>.

### **4. Annual Report of Management**

The performance of the Company in 2022 will be reported.

### **5. Appointment of External Auditors**

The election of the external auditor for the ensuing year will be endorsed to the stockholders for approval. The external auditor conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

### **6. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management**

The actions of the Board and its committees for ratification are those taken since the annual stockholders' meeting on 27 May 2022 until 1 June 2023. They include the approval of agreements, projects, investments and acquisitions, treasury-related matters, matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, and other similar activities of the Company. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

### **7. Election of Directors**

Nominees for election of seven (7) members of the Board of Directors, including three (3) independent directors, will be submitted for election by the stockholders. The profiles of the nominees to the Board of Directors are provided in the Information Statement.

**8. Other Matters**

Other concerns or matters raised by stockholders will be discussed.

**9. Adjournment**

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

**SAMPLE ONLY**

**PROXY  
MREIT, INC.  
2023 STOCKHOLDERS' MEETING**

I/WE hereby name and appoint \_\_\_\_\_, or in his absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of **MREIT, INC.** ("MREIT") to be held on 2 June 2023 and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of MREIT, which appointment shall not exceed five (5) years from date hereof.

In particular, I/We hereby direct my/our said proxy to vote all my/our shares on the agenda items set forth below as I/We have expressly indicated by marking the same with an "X".

| Items No.       | Subject   | Action |         |         |
|-----------------|---|--------|---------|---------|
|                 |   | For    | Against | Abstain |
| 3.              | Approval of Minutes of the Previous Annual Meeting held on 27 May 2022                          |        |         |         |
| 5.              | Appointment of External Auditors  |        |         |         |
| 6.              | Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management |        |         |         |
| 7.              | Election of Directors   |        |         |         |
|                 | i. Francisco C. Canuto  |        |         |         |
|                 | ii. Kevin Andrew L. Tan   |        |         |         |
|                 | iii. Katherine L. Tan   |        |         |         |
|                 | iv. Lourdes T. Gutierrez-Alfonso  |        |         |         |
|                 | v. Antonio E. Llantada, Jr.   |        |         |         |
|                 | vi. Jesus B. Varela   |        |         |         |
|                 | vii. Sergio R. Ortiz-Luis, Jr.  |        |         |         |
| FULL DISCRETION |   |        |         |         |

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE SUBMITTED UNTIL 5:00 PM OF 23 MAY 2023, TO THE OFFICE OF THE CORPORATE SECRETARY AT 30TH FLOOR, ALLIANCE GLOBAL TOWER, 36TH STREET CORNER 11TH AVENUE, UPTOWN BONIFACIO, TAGUIG CITY OR BY EMAIL TO COMPLIANCE@MREIT.COM.PH.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

THIS PROXY DOES NOT NEED TO BE NOTARIZED.

(Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories.)



## **INFORMATION STATEMENT**

### **GENERAL INFORMATION**

#### **Date, Time and Place of Meeting of Security Holders**

|  |   |
|--|---|
| Date of Meeting  | : 2 June 2023   |
| Time of Meeting  | : 9:00 a.m.   |
| Place of Meeting   | : To be called and presided by the Presiding Officer in Taguig City and to be conducted virtually by remote communication |
| Approximate Distribution of this Statement                         | : 12 May 2023 <sup>2</sup>  |
| Complete Mailing Address of the Principal Office of the Registrant | : 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634                     |

**The Company is not soliciting proxies. We are not asking you for a proxy. Neither are you required to send us a proxy.**

#### **Dissenters' Right of Appraisal**

There is no proposed corporate action in the agenda for the annual meeting of stockholders that will grant appraisal rights pursuant to the Revised Corporation Code of the Philippines to dissenting stockholders.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case the corporation decides to invest its funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and 4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. **A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.** Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined, within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the

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<sup>2</sup> Pursuant to SEC Notice dated 20 April 2020, digital copies of the Information Statement, Management Report, Annual Report, and other relevant documents will be made available at the Company's website: <https://mreit.com.ph/> and through the PSE Edge.



Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

#### **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director or officer of the Company, or any nominee for election as a director of the Company, or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

No director of the Company has informed it in writing that he intends to oppose any action to be taken by the Company at the annual meeting of stockholders.

### **CONTROL AND COMPENSATION INFORMATION**

#### **Voting Securities and Principal Holders Thereof**

##### **(a) Number of Shares Outstanding**

As of 31 March 2023, the Company had outstanding shares of 2,795,821,381 common stock. Each common share is entitled to one (1) vote.

##### **(b) Record Date of Meeting**

All stockholders on record as of 5 May 2023 will be entitled to notice of, and to vote at, the annual meeting of stockholders.

##### **(c) Manner of Voting**

Pursuant to Article 2, Sections 5 and 7 of the Company's Amended By-Laws, Sections 23 and 57 of the Revised Corporation Code, and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, stockholders may now participate in the 2023 Annual Meeting by remote communication and cast their votes in absentia. A stockholder may cast his/her votes by remote communication or *in absentia* until 5:00 pm of 23 May 2023. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2023 Annual Meeting for complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the 2023 Annual Meeting.

##### **(d) Cumulative Voting Rights**

Each stockholder shall be entitled to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. With respect to the election of the members of the board of directors of the Company, each stockholder shall have cumulative voting rights. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

**(e) Security Ownership of Certain Record and Beneficial Owners and Management**

- (i) Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Voting Stock as of 31 March 2023

| Title of Class | Name, address of Record Owner and Relationship with Issuer   | Name of Beneficial Owner and Relationship with Record Owner                   | Citizenship | No. of Shares Held | Percent of Class |
|----------------|--|---|-------------|--------------------|------------------|
| Common         | Megaworld Corporation<br><br>30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634<br><br>Parent/Sponsor | Megaworld Corporation <sup>3</sup>  | Filipino    | 1,835,982,881      | 65.67%           |
| Common         | PCD Nominee Corp. (Filipino)<br><br>G/F MKSE Bldg., 6767 Ayala Ave., Makati  | Participants of the PCD composed of custodian banks and brokers. <sup>4</sup> | Filipino    | 918,677,274        | 32.86%           |

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's voting stock known to the Company.

- (ii) Security Ownership of Management as of 31 March 2023

| Title of Class                                  | Name of Beneficial Owner                  | Amount and Nature of Beneficial Ownership* | Citizenship | Percent of Class |
|---|---|--|-------------|------------------|
| <b>Directors/Nominees</b>                       |   |  |             |                  |
| Common  | Francisco C. Canuto <sup>5</sup>          | 1,000 (Direct)                             | Filipino    | 0.0000%          |
| Common  | Kevin Andrew L. Tan <sup>6</sup>          | 9,995,000 (Direct)                         | Filipino    | 0.3900%          |
| Common  | Katherine L. Tan                          | 1,000 (Direct)                             | Filipino    | 0.0000%          |
| Common  | Lourdes T. Gutierrez-Alfonso <sup>7</sup> | 1,000 (Direct)                             | Filipino    | 0.0000%          |
| Common  | Antonio E. Llantada, Jr.                  | 1,000 (Direct)                             | Filipino    | 0.0000%          |
| Common  | Jesus B. Varela                           | 1,000 (Direct)                             | Filipino    | 0.0000%          |
| Common  | Sergio R. Ortiz-Luis, Jr.                 | 1,000 (Direct)                             | Filipino    | 0.0000%          |
| <b>CEO and Most Highly Compensated Officers</b> |   |  |             |                  |
| Common  | Kevin Andrew L. Tan                       | Same as above                              |             |                  |
| Common  | Giovanni C. Ng                            | 0  | Filipino    | n/a              |
| Common  | Maria Carla T. Uykim                      | 0  | Filipino    | n/a              |

<sup>3</sup> The Board of Directors of Megaworld Corporation ("Megaworld") has voting and investment power over shares of stock held by Megaworld in the Company.

<sup>4</sup> Among the PCD participants, BANCO DE ORO - Trust Banking Group owns 170,775,300 representing 6.11% of the Company's outstanding capital stock.

<sup>5</sup> Shares are lodged with PCD Nominee Corporation.

<sup>6</sup> Shares are lodged with PCD Nominee Corporation.

<sup>7</sup> Shares are lodged with PCD Nominee Corporation.

| Title of Class<br>Name of Beneficial Owner |                                 | Amount and Nature<br>of Beneficial<br>Ownership* | Citizenship | Percent of<br>Class |
|--|---------------------------------|--|-------------|---------------------|
| Common                                     | Englebert G. Teh                | 0  | Chinese     | n/a                 |
| Common                                     | Karren Mae C. De Chavez-Reodica | 0  | Filipino    | n/a                 |
| <b>Other Executive Officers</b>            |                                 |  |             |                     |
| Common                                     | Caroline Kabigting <sup>8</sup> | 0  | Filipino    | n/a                 |
| Common                                     | Andy Willing Dela Cruz, Jr.     | 0  | Filipino    | n/a                 |

(iii) Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

(iv) Changes in Control

On 1 February 2021, Megaworld 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, Megaworld acquired 99.20% direct ownership of the Company's total issued and outstanding capital stock.

On April 7, 2021, the Company approved the amendment of its Articles of Incorporation to change the 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.

On April 7, 2021, the Company also approved the Property-for-Share Swap transaction with Megaworld in which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in certain real properties, 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. The SEC certified the approval of the valuation of the Property-for-Share Swap on June 1, 2021; hence, the issuance of additional common shares to Megaworld was consummated. Accordingly, Megaworld's direct ownership interest increased to 99.61% of the total issued and outstanding capital stock of the Company.

On 1 October 2021, upon the Company's listing in the PSE, Megaworld sold 949,837,500 of its shares in the Company to the public. As a result, Megaworld became the 62.09% owner of the Company, while 37.51% of the Company's shares are held by the public. The remaining shares are held by the Company's directors.

On 1 April 2022, the Company approved the Property-for-Share Swap transaction with Megaworld pursuant to which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in four (4) Grade A buildings located in PEZA-registered Zones, namely: 100% ownership of Two Global Center and of Festive Walk 1B, which are located in Iloilo Business Park, and 80% pro indiviso ownership of One West Campus and of Five West Campus, which are located in McKinley Hill in Fort Bonifacio, Taguig, in exchange for 263,700,000 common shares of the Company, with a par value of P1 per share and APIC of P5,010,300,000.00, or for a total subscription price of P5,274,000,000.00. On 23 March 2023, the SEC approved the valuation of the Property-for-Share Swap, which resulted in the transfer of the four properties to the Company and the issuance of 263,700,000 common shares to Megaworld. As of 31 March 2023, Megaworld's direct ownership interest in the Company is 65.67%.

There are currently no other arrangements that may result in change in control of the Company.

**(f) Foreign ownership level as of 31 March 2023**

As of 31 March 2022, a total of 41,128,226 common shares are held by foreigners, amounting to approximately 1.47% of the total outstanding capital stock of the Company.

<sup>8</sup> Appointed as Officer in July 2022, in place of Dave Valeriano.

## **Board of Directors and Senior Management**

### **(a) Background of Directors and Executive Officers**

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven members, of which three (3) are independent directors. All of the directors were elected at the Company's annual stockholders meeting on 27 May 2022, and will hold office until their successors have been duly elected and qualified.

Information concerning the background of the directors and executive officers of the Company is provided in the Company's Management Report.

### **(b) Procedure for Nomination and Election of Independent Directors**

Pursuant to Article III, Section 2 of the Company's Amended By-Laws, the nomination and election of independent directors shall be conducted in accordance with the procedures for nomination and election prescribed by laws and regulations.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Corporate Governance Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its by-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

### **(c) Nominees**

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Corporate Governance Committee composed of Sergio R. Ortiz-Luis, Jr. as Chairman, Jesus B. Varela and Antonio E. Llantada, Jr. as members, accepts nominees to the Board of Directors, including nominees for independent director. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees and candidates for members of the Board of Directors:

1. Francisco C. Canuto
2. Kevin Andrew L. Tan
3. Katherine L. Tan

4. Lourdes T. Gutierrez-Alfonso
5. Antonio E. Llantada, Jr. – Independent Director
6. Jesus B. Varela – Independent Director
7. Sergio R. Ortiz-Luis, Jr. – Independent Director

#### **(d) Independent Directors**

This year's nominees for directors include three (3) persons who qualify as independent directors. Francisco C. Canuto nominated Antonio E. Llantada, Jr. as independent director, while Kevin Andrew L. Tan nominated Jesus B. Varela and Sergio R. Ortiz-Luis, Jr. as the two other independent directors. The nominators are not related by consanguinity or affinity up to the fourth civil degree to the nominees.

#### **(e) Significant Employees**

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management. Nevertheless, the entire workforce is considered significant, and is expected to work together to achieve the Company's goals and objectives.

#### **(f) Family Relationships**

President and Chief Executive Officer Kevin Andrew L. Tan is the son of Andrew L. Tan, the Chairman and President of Megaworld Corporation (the Company's Parent and Sponsor), and of Katherine L. Tan, Director of the Company and of Megaworld Corporation. Kevin Andrew L. Tan is also the Executive Vice President and Chief Strategy Officer of Megaworld Corporation.

#### **(g) Involvement in Certain Legal Proceedings**

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to 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 involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission 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, and the judgment has not been reversed, suspended, or vacated.

#### **(h) Related Party Transactions**

The Company, in the ordinary course of business, engages in transactions with its Parent and affiliates. On 25 June 2021, the Company adopted a Related Party Transaction Policy to ensure that related party transactions are entered into terms comparable to those available to unrelated third parties in similar transactions. The Company has also established a Related Party Transaction Committee composed of three members of the board, two of whom are independent, including the Chairman.

Transactions with related parties include asset acquisitions from, and land leases with, Megaworld Corporation (the Company's Parent and Sponsor), and fund and property management agreements

with affiliates. The table below sets out the principal transactions of the Company with related parties as of December 31, 2022:

| Year          | Related Parties  | Nature of the Transaction  | Value of the Transaction   |
|---------------|--|--|--|
| 2022          | Megaworld Corporation  | Acquisition of four buildings owned by Megaworld in exchange for shares of stock in the Company <sup>9</sup> | The four properties, which were valued by an independent property, were transferred to the Company in exchange for 263,700,000 common shares for a total subscription price of Php5,274,000,000.00, with a resulting additional paid-in capital of Php5,010,300,000.00   |
| 2021          | Megaworld Corporation (and Empire East Land Holdings, Inc. in respect of certain properties) | Acquisition of ten buildings owned by Megaworld in exchange for shares of stock in the Company               | The ten properties, which were valued by an independent property, were transferred to the Company in exchange for 1,282,120,381 common shares for a total subscription price of Php49,202,407,620.00, with a resulting additional paid-in capital of Php47,920,287,239.00  |
| 2021          | Megaworld Corporation  | Acquisition of four buildings owned by Megaworld for cash  | The four properties were acquired by the Company for cash in the amount of Php9,116,000,000.00   |
| 2021 and 2022 | Megaworld Corporation (and Empire East Land Holdings, Inc. in respect of certain properties) | Lease of various lands where the buildings acquired from Megaworld are located <sup>10</sup>                 | <p>From 1 July 2023, rent equivalent to, as applicable:</p> <p>a. 2.5% of the Company's gross rental income for office and retail properties; and</p> <p>b. 1.5% of the Company's hotel rental/revenues for hotel properties.</p> <p>From 01 July 2025 onwards, rent equivalent to, as applicable:</p> <p>a. 5% of the Company's gross rental income for</p> |

<sup>9</sup> This transaction was consummated in March 2023 upon the SEC's approval of the valuation of the properties transferred to the Company.

<sup>10</sup> These leases pertain to the various parcels of land where the buildings acquired from Megaworld in the property-for-share swap transactions and cash acquisition transactions are located.

|      |                               |  |  |
|------|-------------------------------|--|--|
|      |                               |  | office and retail properties;<br>and<br>b. 3% of the Company's<br>hotel rental/revenues for<br>hotel properties.   |
| 2021 | MREIT Fund Managers, Inc.     | Fund management<br>agreement for the<br>management of the<br>Company's funds and<br>assets                               | Fund management fee<br>equivalent to 3.5% of the<br>Company's gross<br>revenues, payable<br>annually, not to exceed 1%<br>of the net asset value of<br>the properties under<br>management    |
| 2021 | MREIT Property Managers, Inc. | Property management<br>agreement for the<br>operation and<br>management of the<br>Company's properties<br>and facilities | Property management fee<br>equivalent to 2% of the<br>Company's gross<br>revenues, payable<br>quarterly, not to exceed 1%<br>of the net asset value of<br>the properties under<br>management |

The Company's acquisitions of assets from Megaworld, whether for cash or in exchange for shares in the Company, are done in furtherance of the Company's primary mandate, as a REIT entity, to invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. The Company intends to continue growing its portfolio of income-generating assets to increase more revenues and distributable income to its shareholders.

In furtherance of the transfers, assignment and conveyance in favor of the Company of Megaworld's rights, title and interests in the properties acquired from Megaworld, Megaworld also (i) leased to the Company the lands over the properties as situated, and (ii) assigned in favor of the Company all of its rights and interests in and to the contracts of lease over portions of the Properties leased out to various entities as office, retail and hotel.

Other than the foregoing and those disclosed in the Company's Audited Financial Statements, the Company has not entered into any other related party transactions. (*Please see:* Audited Financial Statements for 2022, Note 6 – Investment Properties and Note 15 – Related Party Transactions)

#### *Reinvestment of Proceeds*

On 11 March 2022, Megaworld, the Company's Parent and Sponsor, amended its Reinvestment Plans in connection with the Initial Public Offering of the Company (October 2021) and the sale to the Company of four (4) Prime, Grade A buildings, located in PEZA-registered Zones (December 2021). Copies of the amended Reinvestment Plans, as well as the latest Reinvestment Plan Progress Reports, can be viewed in the Company's website (<https://mreit.com.ph/disclosures/sec-pse-disclosures/>).

In 2022, both Reinvestment Plans were fully complied by Megaworld as follows:

| Relevant Transaction   | Date of Reinvestment Plan                       | Date of Full Compliance |
|--|---|-------------------------|
| Secondary Offer by Megaworld Corporation of 844,300,000 Common Shares of MREIT, Inc. on 1 October 2021 | 9 September 2021;<br>Amended as of 9 March 2022 | 30 September 2022       |
| Sale by Megaworld Corporation to MREIT, Inc. of Four Prime, Grade A buildings located in PEZA-         | 17 December 2021;<br>Amended as of 9 March 2022 | 19 December 2022        |

|   |  |  |
|---|--|--|
| registered Zones for Php9.116 billion on 20 December 2021 |  |  |
|---|--|--|

As of the date of this report, the Company has no other Reinvestment Plan that is on-going implementation.

**(i) Resignation/Disagreement**

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

**Compensation of Directors and Executive Officers**

**(a) Summary of Compensation Table**

Aggregate compensation paid to the Company's Chief Executive Officer and the four most highly compensated executive officers as a group, as well as the aggregate compensation paid to all other officers and directors of the Company, for the last two fiscal years (2021 and 2022) and the estimate for the ensuing year (2023) are as follows:

| Name and Principal Position                                   | Year                      | Salary   | Other Variable Pay | Total Annual Compensation |
|---|---------------------------|----------|--------------------|---------------------------|
| Kevin Andrew L. Tan<br>President and CEO                      |                           |          |                    |                           |
| Giovanni C. Ng<br>Treasurer                                   |                           |          |                    |                           |
| Maria Carla T. Uykim<br>Corporate Secretary                   |                           |          |                    |                           |
| Englebert G. Teh<br>Chief Financial Officer                   |                           |          |                    |                           |
| Cheryll B. Sereno <sup>11</sup><br>Compliance Officer and DPO |                           |          |                    |                           |
| President and 4 Most Highly Compensated Officers              | Actual 2021 <sup>12</sup> | Php5.20m | Php1.075m          | P6.275m                   |
|   | Actual 2022               | Php7.3m  | Php1.53m           | Php8.96                   |
|   | Projected 2023            | Php7.8m  | Php1.6m            | Php9.4m                   |
| All Other Officers and Directors as a Group                   | Actual 2021 <sup>13</sup> | Php1.75m | Php0.37m           | Php2.12m                  |
|   | Actual 2022               | Php2.51m | Php0.53m           | Php3.04m                  |
|   | Projected 2023            | Php2.6m  | Php0.56            | Php3.16                   |

<sup>11</sup> Resigned from the Company effective 3 January 2023.

<sup>12</sup> Officers' compensation for 6 months (from July to December 2021).

<sup>13</sup> Officers' compensation for 6 months (from July to December 2021).



**(b) Compensation of Directors**

The members of the Board will receive a standard per diem for attendance in Board meetings. For 2023, the Company has allocated Php700,000 for directors' per diem. There are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2021 for any service provided as a director.

| Name of Directors                | Year | Salary   | Total Annual Director's Per Diem |
|----------------------------------|------|----------|----------------------------------|
| Francisco C. Canuto              |      | Per diem |                                  |
| Kevin Andrew L. Tan              |      | Per diem |                                  |
| Katherine L. Tan                 |      | Per diem |                                  |
| Lourdes T. Gutierrez-Alfonso     |      | Per diem |                                  |
| Antonio E. Llantada, Jr.         |      | Per diem |                                  |
| Jesus B. Varela                  |      | Per diem |                                  |
| Sergio R. Ortiz-Luis, Jr.        |      | Per diem |                                  |
| Total Annual Director's Per Diem | 2021 |          | n/a                              |
|                                  | 2022 |          | 700,000                          |
|                                  | 2023 |          | 700,000                          |

**(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangement**

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. Other than benefits available under the Company's applicable retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

**(d) Options Outstanding**

There are no outstanding warrants or options in connection with the shares of the Company held by any of the directors or executive officers.

**ISSUANCE AND EXCHANGE OF SECURITIES****Authorization or Issuance of Securities Other than for Exchange**

On 1 April 2022, upon the recommendation of the Company's Related Party Transaction Committee, the Board of Directors of the Company approved the subscription by Megaworld to 263.7 million common shares of the Company to be paid for by way of transfer to the Company of four (4) Grade A Asset Buildings of Megaworld located in PEZA-registered zones, namely: 100% ownership of Two Global Center and Festive Walk 1B, which are located in Iloilo Business Park, and 80% pro indiviso ownership of One West Campus and Five West Campus, which are located in McKinley Hill in Fort Bonifacio, Taguig. Based on the valuation report and fairness opinion issued by independent consultants of MREIT and Megaworld, the Related Party Transaction Committee recommended, and Board of Directors approved, the subscription price of Php5.274 billion.<sup>14</sup> The approval of the stockholders of the Company was not required and was not sought for the implementation the transaction since the transaction price for the shares subscribed was set at a premium over the prevailing market price of the shares of the Company at the time that the transaction was entered into.

<sup>14</sup> Copies of the fairness opinion and valuation reports can be viewed in the Company's website through this link: <https://mreit.com.ph/disclosures/financial-reports/>.

On 23 March 2023, the Company obtained the Securities and Exchange Commission's confirmation of the valuation of the properties transferred by Megaworld to the Company under the property-for-shares swap. Thus, on 31 March 2023, the Company issued the shares to Megaworld.

As of 28 February 2023, prior to the SEC's approval of the transaction and the issuance of shares, the capital structure of the Company and total issued and outstanding common shares is 2,532,121,381 with par value of P1.00 per share, are as follows:

| Shareholder                      | Subscribed Shares    | Amount of Subscription (in Php) | Amount Paid-In (in Php)    | Percentage of Ownership |
|----------------------------------|----------------------|---------------------------------|----------------------------|-------------------------|
| Megaworld Corporation            | 1,572,282,881        | 1,572,282,881.00                | 1,572,282,881.00           | 62.09%                  |
| PCD Nominee Corp. (Filipino)     | 922,236,842          | 922,236,842.00                  | 922,236,842.00             | 36.42%                  |
| PCD Nominee Corp. (Non-Filipino) | 37,568,658           | 37,568,658.00                   | 37,568,658.00              | 1.48%                   |
| Gilbert Raymund T. Reyes         | 10,000               | 10,000.00                       | 10,000.00                  | 0.00%                   |
| Myra P. Villanueva               | 10,000               | 10,000.00                       | 10,000.00                  | 0.00%                   |
| Milagros P. Villanueva           | 4,000                | 4,000.00                        | 4,000.00                   | 0.00%                   |
| Myrna P. Villanueva              | 4,000                | 4,000.00                        | 4,000.00                   | 0.00%                   |
| Marietta V. Cabreza              | 1,000                | 1,000.00                        | 1,000.00                   | 0.00%                   |
| Antonio E. Llantada, Jr.         | 1,000                | 1,000.00                        | 1,000.00                   | 0.00%                   |
| Sergio R. Ortiz-Luis, Jr.        | 1,000                | 1,000.00                        | 1,000.00                   | 0.00%                   |
| Katherine L. Tan                 | 1,000                | 1,000.00                        | 1,000.00                   | 0.00%                   |
| Jesus B. Varela                  | 1,000                | 1,000.00                        | 1,000.00                   | 0.00%                   |
| <b>TOTAL</b>                     | <b>2,532,121,381</b> | <b>Php2,532,121,381.00</b>      | <b>Php2,532,121,381.00</b> | <b>100.00%</b>          |

As of 31 March 2023, upon the SEC's confirmation of the valuation the properties and the issuance of the 263,700,000 common shares to Megaworld Corporation, the capital structure of the Company is as follows:

| Shareholder                      | Subscribed Shares | Amount of Subscription (in Php) | Amount Paid-In (in Php) | Percentage of Ownership |
|----------------------------------|-------------------|---------------------------------|-------------------------|-------------------------|
| Megaworld Corporation            | 1,835,982,881     | 1,835,982,881.00                | 1,835,982,881.00        | 65.67%                  |
| PCD Nominee Corp. (Filipino)     | 918,677,274       | 918,677,274.00                  | 918,677,274.00          | 32.86%                  |
| PCD Nominee Corp. (Non-Filipino) | 41,128,226        | 41,128,226.00                   | 41,128,226.00           | 1.47%                   |

|                           |                      |                            |                            |                |
|---------------------------|----------------------|----------------------------|----------------------------|----------------|
| Gilbert Raymund T. Reyes  | 10,000               | 10,000.00                  | 10,000.00                  | 0.00%          |
| Myra P. Villanueva        | 10,000               | 10,000.00                  | 10,000.00                  | 0.00%          |
| Milagros P. Villanueva    | 4,000                | 4,000.00                   | 4,000.00                   | 0.00%          |
| Myrna P. Villanueva       | 4,000                | 4,000.00                   | 4,000.00                   | 0.00%          |
| Marietta V. Cabreza       | 1,000                | 1,000.00                   | 1,000.00                   | 0.00%          |
| Antonio E. Llantada, Jr.  | 1,000                | 1,000.00                   | 1,000.00                   | 0.00%          |
| Sergio R. Ortiz-Luis, Jr. | 1,000                | 1,000.00                   | 1,000.00                   | 0.00%          |
| Katherine L. Tan          | 1,000                | 1,000.00                   | 1,000.00                   | 0.00%          |
| Jesus B. Varela           | 1,000                | 1,000.00                   | 1,000.00                   | 0.00%          |
| <b>TOTAL</b>              | <b>2,795,821,381</b> | <b>Php2,795,821,381.00</b> | <b>Php2,795,821,381.00</b> | <b>100.00%</b> |

The Company will apply for the listing of the 263,700,000 additional shares issued to Megaworld Corporation.

### **Acquisition of Properties**

Please refer to the previous discussions in *Authorization or Issuance of Securities Other than for Exchange and Related Transactions* of this report.

### **Independent Public Accountants**

The Board of Directors of the Company, in consultation with the Audit Committee composed of Antonio E. Llantada, Jr. as Chairman, and Kevin Andrew L. Tan and Sergio R. Ortiz-Luis, Jr. as members, will recommend to the stockholders the engagement of Punongbayan & Araullo as external auditors of the Company for 2023.

Mr. Renan A. Piamonte of Punongbayan and Araullo was designated as handling partner for the audit of the financial statements of the Company starting the year ending 30 June 2021. Punongbayan & Araullo was also the auditor of the Company for the year ended 31 December 2022, and the 6-month period from 1 July 2021 to 31 December 2021.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

Representatives of Punongbayan & Araullo are expected to be present at the Annual Meeting of stockholders. They will have the opportunity to make a statement if they desire to do so and, are expected to be available to respond to appropriate questions.

## **Financial Information**

Financial Statements of the Company and its subsidiaries as of 31 December 2022, 31 December 2021 and 30 June 2021, and the Management's Discussion and Analysis of Results of Operations and Financial Condition for the corresponding periods are contained in the Company's Annual Report to Stockholders and are incorporated herein by reference.

## **Action with Respect to Reports**

The minutes of the annual meeting of stockholders held on 27 May 2022 will be submitted to the Company's stockholders for approval. The minutes will refer to the adoption of stockholders' resolutions pertaining to, among others, the following matters:

1. Ratification of Corporate Acts and Resolutions of the Board of Directors and Officers
2. Election of Directors
3. Appointment of External Auditors

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the Minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

The minutes of the 2022 Annual Stockholders Meeting has been uploaded to the Company's website and may be viewed through the following link: <https://mreit.com.ph/disclosures/minutes-of-stockholders-meetings/>.

As of the date of this report, the Company has 2,795,821,381 common shares issued and outstanding, 2,532,121,381 of which are listed in the Philippine Stock Exchange. 65.67% of the issued and outstanding shares is held by the Sponsor, Megaworld Corporation, while the remaining shares are held by the public. Each common share is entitled to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders.

## **Other Proposed Action**

The stockholders will be asked to ratify all resolutions of the Board of Directors and the Board Committees and acts of Senior Management adopted during the period covering 27 May 2022 through 1 June 2023. These include, among others, the following matters:

1. Acquisition of Assets through a Tax-Free Exchange
2. Election and Appointment of Officers
3. Approval of the Audited Financial Statements as of 31 December 2022
4. Appointment of Contract Signatories
5. Application for, or Renewal of, Permits, Licenses, Clearances and Accreditations
6. Declaration of Cash Dividends
7. Holding of 2023 Annual Meeting of Stockholders

These also include the approval of agreements, projects, investments, treasury-related matters, and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, and other similar activities of the Company. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

## **Voting Procedures**

### **(a) Vote Required**

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall be elected at least one-third (1/3) or at least two (2), whichever is higher, independent directors in the Company's board of directors.

### **(b) Method of Counting of Votes**

Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders. In the election of directors, each holder of common share may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including at least three (3) independent directors. In the event that the number of nominees to the board of directors should exceed the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors will not exceed the number of board seats, voting may be done by ballot or a show of hands. Election inspectors duly appointed for the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

### **(c) Participation of Shareholders by Remote Communication**

Stockholders may cast their votes by remote communication or in *absentia*, or by proxy. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2023 Annual Meeting for complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the 2023 Annual Meeting.

**The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to MREIT, Inc., Attention: The Corporate Secretary, 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634.**

*[Signature page follows.]*

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on May 10, 2023.

**MREIT, INC.**

By:



**Englebert G. Teh**  
Chief Financial Officer





## MANAGEMENT REPORT

### I. BUSINESS

#### Overview

MREIT, Inc. (the Company) is a real estate investment trust (REIT) incorporated under the Philippine Real Estate Investment Trust Law (Republic Act No. 9856) on 2 October 2020. The Company was designated by Megaworld Corporation (Megaworld), its Parent and Sponsor, to operate as its flagship REIT company, the primary focus of which will be office and retail leasing to a diversified tenant base, with a high-quality portfolio of 14 office, hotel, retail and other assets across the Philippines and an aggregate GLA of 324,742 sqm as of 31 March 2023.

The Company 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, with no preferred shares and no shares held in treasury.

On 1 October 2021, the Company conducted an initial public offering and listed its shares in the Philippine Stock Exchange (PSE). MREIT has a total market capitalization of Php40.43billion based on the closing price of Php14.46 per common share on 31 March 2023.

As of the date of this report, the Company has 2,795,821,381 common shares issued and outstanding, 2,532,121,381 of which are listed in the Philippine Stock Exchange. 65.67% of the issued and outstanding shares is held by the Sponsor, Megaworld Corporation, while the remaining shares are held by the public.

#### Current Asset Portfolio

MREIT is a REIT formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. 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. In 2021, the Company acquired a total of fourteen (14) mixed-use buildings from Megaworld, with a total gross leasable area of 280,175 sqm, namely:

##### **Quezon City**

1800 Eastwood Avenue  
1880 Eastwood Avenue  
E Commerce Building

##### **Taguig City**

One World Square  
Two World Square  
Three World Square  
8/10 Upper McKinley  
18/20 Upper McKinley  
World Finance Plaza

##### **Iloilo City**

Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower  
One Techno Place  
Two Techno Place  
Three Techno Place  
One Global Center

In furtherance of the transfer, assignment and conveyance in favor of the Company of Megaworld's rights, title and interests in the Properties, Megaworld also assigned in favor of the Company all of its rights and interests in and to the contracts of lease over portions of the Properties leased out to various entities as office, retail and hotel. In 2021, the Company started earning rental income from the Properties.

In April 2022, the Company entered into a property-for-shares swap transaction with Megaworld wherein Megaworld subscribed to 263,700,000 unissued common shares of the Company, with a par value of P1 per share, and additional paid-in capital of P5,010,300,000.00, or for a total subscription price of P5,274,000,000.00, to be paid for by way of transfer, assignment and conveyance absolutely in favor of the Company of Megaworld's rights, title and interests in the following properties:

**Taguig City**

One West Campus (80% pro indiviso ownership)

Five West Campus (80% pro indiviso ownership)

**Iloilo City**

Two Global Center

Festive Walk 1B

On 23 March 2023, the Company obtained the Securities and Exchange Commission's confirmation of the valuation of the properties transferred by Megaworld to the Company under the property-for-shares swap. As agreed by the parties, the properties started contributing to the Company's revenues beginning 1 January 2023.

As a commercial REIT, the Company will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, the Company may also explore other types of real estate properties available in the market. MREIT offers Shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Megaworld, experienced management with incentive to grow the Company's Gross Revenue and Net Operating Income, and distribution of at least 90% of the Company's Distributable Income.

Through its Fund Manager, the Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the the Company's 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 its investors.

The Company derives its revenues through leasing real properties. As of 31 March 2023, the Company owns eighteen (18) mixed used buildings located in Quezon City, Taguig City and Iloilo City leased out to various entities as office, retail and hotel. All of the Properties were developed by Megaworld. All of the Properties are owned by the Company and stand on land leased from Megaworld for an aggregate period of 50 years.

All Properties are PEZA-registered and/or located in PEZA-registered zones. The Company's portfolio has tenants across various sectors which are categorized 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, the Company has secured a number of major BPO customers as long-term tenants in the properties. As of 31 March 2023, 90% or 292,975 sqm of the total available GLA of the portfolio was occupied by BPOs and traditional offices, and 5% or 17,359 sqm of the total available GLA of the portfolio was occupied by retail and other tenants including 6,769 sqm pertaining to the hotel GLA.

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. The Properties have enjoyed consistently high occupancy rates thus earning stable rental revenues. Most of the commercial office lease agreements for the Company's properties are for tenancy periods of between five (5) to ten (10) years. To ensure the timely payment of rent, arrears management procedures are 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, as well as common use service area (CUSA) fee of the maintenance upkeep of the buildings, are billed monthly or quarterly, and are collected every fifth of the month or first month of the quarter. In addition, under the general terms of the leases, lessees and tenants for office properties are obligated to pay additional security deposit also equivalent to three months' rental upfront.

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.

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.

### Business Strategy

The principal investment mandate and strategy of the 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. In determining future investments to expand the 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 the 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 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 portfolio to enhance long-term growth.

The Fund Manager intends to hold the Properties in the 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 the Company's investment criteria.

## II. MARKET PRICE INFORMATION

The common shares of the Company are traded on the PSE under the symbol of MREIT. The Company's common stock was first listed on the PSE on 1 October 2021.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE as of 31 March 2023:

| Year |      | Q1    | Q2    | Q3    | Q4    |
|------|------|-------|-------|-------|-------|
| 2021 | High |       |       |       | 19.70 |
|      | Low  |       |       |       | 16.70 |
| 2022 | High | 22.50 | 18.58 | 16.04 | 14.48 |
|      | Low  | 18.50 | 15.14 | 13.90 | 11.28 |
| 2023 | High | 15.36 |       |       |       |
|      | Low  | 13.70 |       |       |       |

Market price of the Issuer's Shares as at 31 March 2023 was ₱14.46 per share.

## III. HOLDERS

As of 31 March 2023, the Company has 12 shareholders of record. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2023.

| Shareholder                      | Subscribed Shares    | Percentage of Ownership |
|----------------------------------|----------------------|-------------------------|
| Megaworld Corporation            | 1,835,982,881        | 65.67%                  |
| PCD Nominee Corp. (Filipino)     | 918,677,274          | 32.86%                  |
| PCD Nominee Corp. (Non-Filipino) | 41,128,226           | 1.47%                   |
| Gilbert Raymund T. Reyes         | 10,000               | 0.00%                   |
| Myra P. Villanueva               | 10,000               | 0.00%                   |
| Milagros P. Villanueva           | 4,000                | 0.00%                   |
| Myrna P. Villanueva              | 4,000                | 0.00%                   |
| Marietta V. Cabreza              | 1,000                | 0.00%                   |
| Antonio E. Llantada, Jr.         | 1,000                | 0.00%                   |
| Sergio R. Ortiz-Luis, Jr.        | 1,000                | 0.00%                   |
| Katherine L. Tan                 | 1,000                | 0.00%                   |
| Jesus B. Varela                  | 1,000                | 0.00%                   |
| <b>TOTAL</b>                     | <b>2,795,821,381</b> | <b>100.00%</b>          |

#### IV. DIVIDENDS AND DIVIDEND POLICY

The Company is 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 Company's assets that are reinvested in the Company 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. The Company 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 Company's Board, including the unanimous vote of all its 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 Securities and Exchange Commission (SEC) within five working days from receipt of the request for approval. If the SEC does not act on said request within such a period, the declaration shall be deemed approved.

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.

The Company's distributable income as of 31 December 2022 is Php2,526,193,870, computed by deducting the fair value adjustment of investment properties and unrealized gains from the Company's net income.

Out of the distributable net income for 2022, the Company declared total cash dividends on the Company's common shares amounting to Php2,473,882,590 broken down as follows;

| Payment Date      | Amount         | Amount per Share |
|-------------------|----------------|------------------|
| May 31, 2022      | Php615,305,496 | Php0.2430        |
| September 9, 2022 | Php624,927,557 | Php0.2468        |
| December 15, 2022 | Php618,850,466 | Php0.2444        |
| February 15, 2023 | Php614,799,071 | Php0.2428        |
| <b>Total</b>      |                | <b>Php0.9777</b> |

The Company has distributed 98% of its distributable income for the period.

#### V. RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

As of the date of this report, the Company has 263,700,000 common shares that are yet to be listed in the Philippine Stock Exchange. These shares were issued on 31 March 2023 pursuant to the Property-for-Shares swap transaction entered into by the Company with Megaworld in April 2022, which was approved by the Securities and Exchange Commission in March 2023. The Company will apply for the listing of the shares in the first half of 2023.

Under the transaction, Megaworld's subscription to 263,700,000 common shares of MREIT shall be paid for by way of conveyance and transfer of all of Megaworld's rights, title and interests in four (4) Grade A buildings located in PEZA-registered Zones, namely: 100% ownership of Two Global Center and of Festive Walk 1B, which are located in Iloilo Business Park, and 80% pro indiviso ownership of One West Campus and of Five West Campus, which are located in McKinley Hill in Fort Bonifacio, Taguig.

The foregoing transaction is an exempt transaction pursuant to Section 10.1(k) of the Securities Regulation Code, which exempts from registration the sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period. Note that, other than the Property-for-Shares swap transaction that resulted in the issuance of the 263,700,000 common shares to Megaworld Corporation on 31 March 2023, the Company does not have any other sale of securities within the past twelve-month period.

As of the date of this report, Megaworld has not sold the shares received under the Property-for-Shares swap transaction. Megaworld is aware of the requirement to reinvest the proceeds of sale of such securities in real estate in the Philippines, and undertakes to comply when the requirement becomes applicable.

## VI. 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 27 May 2022, 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 2023.

| <b>Name</b>                  | <b>Age</b> | <b>Citizenship</b> | <b>Position</b>             | <b>Period of Service</b> |
|------------------------------|------------|--------------------|-----------------------------|--------------------------|
| Francisco C. Canuto          | 65         | Filipino           | Director and Chairman       | 2 years and 6 months     |
| Kevin Andrew L. Tan          | 43         | Filipino           | Director, President and CEO | 2 years and 6 months     |
| Katherine L. Tan             | 71         | Filipino           | Director                    | 1 year and 10 months     |
| Lourdes T. Gutierrez-Alfonso | 59         | Filipino           | Director and COO            | 2 years and 6 months     |
| Antonio E. Llantada, Jr.     | 67         | Filipino           | Independent Director        | 1 year and 10 months     |
| Jesus B. Varela              | 66         | Filipino           | Independent Director        | 1 year and 11 months     |
| Sergio R. Ortiz-Luis, Jr.    | 79         | Filipino           | Independent Director        | 1 year and 11 months     |

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of 31 March 2023.

| <b>Name</b>                     | <b>Age</b> | <b>Citizenship</b> | <b>Position</b>              | <b>Period of Service</b> |
|---------------------------------|------------|--------------------|------------------------------|--------------------------|
| Giovanni C. Ng                  | 49         | Filipino           | Treasurer                    | 1 year and 6 months      |
| Englebert G. Teh                | 31         | Chinese            | Chief Financial Officer      | 1 year and 6 months      |
| Maria Carla T. Uykim            | 46         | Filipino           | Corporate Secretary          | 1 year and 10 months     |
| Karren Mae C. de Chavez-Reodica | 32         | Filipino           | Compliance Officer, CRO, DPO | 3 months                 |

Andy Willing Dela  
Cruz, Jr.

28

Filipino

Investor Relations  
Officer

8 days

**Francisco C. Canuto**

*Chairman of the Board*

Mr. Canuto is a Certified Public Accountant and is currently the Chairman of the Board of Directors. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive of Megaworld Corporation (publicly-listed), 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 Megaworld Group, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

**Kevin Andrew L. Tan**

*Director, President and Chief Executive Officer*

Mr. Tan is a Director and the President and Chief Executive Officer of the Company. He obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific. He is concurrently Executive Vice President and Chief Strategy Officer of Megaworld Corporation. He previously held the position of Senior Vice President of Megaworld Corporation 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 also the Chief Executive Officer and Vice Chairman of Alliance Global Group, Inc (public-listed). He is also the concurrently a Director of Empire East Land Holdings, Inc., Emperador Inc. and Global-Estate Resorts, Inc. (all publicly-listed companies) 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.

**Katherine L. Tan**

*Director*

Ms. Tan is a Director of the Company. She is concurrently a Director of Megaworld Corporation (publicly-listed) and a Director and Treasurer of Alliance Global Group, Inc. and Emperador Inc. (both publicly-listed). 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. Gutierrez is a Director of the Company. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she is concurrently the Chief Operating Officer of Megaworld Corporation, where she also previously held the position of Senior Executive Vice President for Finance and Administration. Ms. Gutierrez is also the Chairman of the property management company, First Oceanic Property Management, Inc. She

serves as Director in numerous affiliate companies including Global-Estate Resorts, Inc. (publicly-listed), 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 also 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. Varela is an Independent Director of the Company and has served as such since April 2021. He concurrently serves as independent director in the boards of Megaworld Corporation (publicly-listed), Global-Estate Resorts, Inc. (publicly-listed), 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.

**Antonio E. Llantada, Jr.**

*Independent Director*

Mr. Llantada is an Independent Director of the Company and has served as such since May 2021. Mr. Llantada is a certified public accountant by profession. He is concurrently a professor of Accounting and Finance in Enderun Colleges and Thames International Business School, and a guest lecturer in the Asian Institute of Management School of Executive Education and Lifelong Learning. He previously served as the Internal Audit Consultant and Chief Audit Executive of Empire East Land Holdings, Inc. (publicly-listed). He is a member of the Philippine Institute of Certified Public Accountants and Institute of Internal Auditors. Mr. Llantada obtained his Bachelor of Science degree in Accounting and Bachelor of Arts degree in Behavioral Science in De La Salle University of Manila, and his Master's Degree in Business Administration in the Ateneo Graduate School of Business.

**Sergio R. Ortiz-Luis, Jr.**

*Independent Director*

Mr. Ortiz-Luis is an Independent Director of the Company and has served as such since April 2021. He is concurrently an Independent Director of Alliance Global, Inc. (publicly-listed), and Calapan Ventures, Inc. 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 Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc., and Jolliville Holdings. 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.

**Giovanni C. Ng**  
*Treasurer*

Mr. Ng, is the Treasurer of the Company. He concurrently serves as Senior Vice President and Finance Director of Megaworld Corporation, the Company's Parent and Sponsor (publicly-listed). He also serves as Director of 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**  
*Chief Financial Officer*

Mr. Teh is the Chief Financial Officer of the Company. Mr. Teh also served as the Corporate Planning Officer of MREIT Fund Managers, Inc. and the Assistant Vice President for Business Research and Development under the Office of Corporate Strategy of Megaworld Corporation, the Parent and Sponsor of the Company. His experience includes investment banking in Primeiro Partners, Inc. and business development for San Miguel Holdings Inc. Mr. Teh graduated in Ateneo De Manila University with a degree of BS Management Engineering.

**Maria Carla T. Uykim**  
*Corporate Secretary*

Atty. Uykim is the Corporate Secretary of the Company. She is concurrently the Head of the Corporate Advisory and Compliance of Megaworld Corporation, the Company's Parent and Sponsor, and a member of its Management Executive Committee. 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. Atty. Uykim was previously 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.

**Karren Mae C. de Chavez-Reodica**  
*Compliance Officer, CRO and DPO*

Atty. Reodica is the In-House Counsel, Compliance Officer, Chief Risk Officer, and DPO of the Company. She was previously an Associate at SyCip, Salazar, Hernandez & Gatmaitan Law Offices, with relevant experience in corporate law, banking, finance and securities, special projects, taxation law, and litigation. Prior to joining the Company, she was also an Assistant Legal Manager in Ortigas Land Corporation. Atty. Reodica obtained her Juris Doctor degree from the University of the Philippines – Diliman. She graduated from the University of Santo Tomas with a degree of BS Accountancy and is also a Certified Public Accountant.

**Andy Willing Dela Cruz, Jr.**  
*Investor Relations Officer*

Mr. Dela Cruz is the Investor Relations Officer of the Company. He is concurrently the Investor Relations Head of Megaworld Corporation (publicly-listed), the Company's Parent and Sponsor. Prior to joining

the Megaworld Group, Mr. Dela Cruz previously held several roles as an Equity Analyst in Philippine Equity Partners (Bank of America Securities), as Institutional Sales and as Senior Analyst in COL Financial Group. Mr. Dela Cruz completed his undergraduate studies with honors in Ateneo de Manila University with a degree of Bachelor of Science in Management-Honors minoring in Financial Management. He is currently a Level II passer of The Chartered Financial Analyst program.

## **EXTERNAL AUDIT FEES AND SERVICES**

The external auditors of the Company billed the amounts of Php968,000 for the year ended 31 December 2022, Php627,000 for the 6-month period ending 31 December 2021, and Php444,500 for the 6-month period ending 30 June 2021, in fees for professional services rendered for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2022 and 2021. The external auditors also billed the Company the amount of Php440,000 for services related to the property-for-shares swap transaction between the Company and Megaworld Corporation in April 2022.

Except as disclosed above, no other services were rendered or fees billed by the external auditors of the Company for the years 2022 and 2021.

The Board of Directors, after consultation with the Audit Committee, recommends to the stockholders the engagement of the external auditors of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

## **VII. CORPORATE GOVERNANCE**

Pursuant to the Company's corporate governance manual, and in compliance with Leading Practices on Corporate Governance, its Board created each of the following committees and appointed Board members thereto.

### Audit Committee

The Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. On 7 July 2021, the Board approved the Audit Committee Charter which provide for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. The Company's Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee. The membership of the Audit Committee is as follows: Antonio E. Llantada, Jr. as Chairman, and Kevin Andrew L. Tan and Sergio R. Ortiz-Luis, Jr., members.

### Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. It also oversees the implementation, review and periodic evaluation of the corporate governance framework. It also recommends continuing relevant education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance, as well as establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers. It is also responsible for determining the nomination and election process for the Corporation's directors and the general profile of board members and ensures that this process is conducted in accordance with qualifications prescribed by Philippine law and the Company's Manual on Corporate Governance. The membership of the Corporate Governance Committee is as follows: Sergio R. Ortiz-Luis, Jr. as Chairman, and Jesus B. Varela and Antonio E. Llantada, Jr. as members.



### Board Risk Oversight Committee

The Board Risk Oversight Committee is responsible for the development, evaluation, and oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness. It also advises the Board on its risk appetite levels and risk tolerance limits, and reviews the company's risk appetite levels and risk tolerance limits based on changes and developments in the business. The Company's Board Risk Oversight Committee consists of three members, including at least one independent director. The membership of the Board Risk Oversight Committee is as follows: Jesus B. Varela as Chairman, and Francisco C. Canuto and Sergio R. Ortiz-Luis, Jr. as members.

### Related Party Transaction Committee

The Related Party Transaction Committee is responsible for reviewing all material related party transactions of the company. This Committee shall evaluate on an ongoing basis the existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured, and evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms. The Company's Related Party Transaction Committee consists of three members, including at least one independent director. The membership of the Related Party Transaction Committee is as follows: Sergio R. Ortiz-Luis, Jr. as Chairman, and Lourdes T. Gutierrez-Alfonso and Jesus B. Varela as members.

### Evaluation System

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

The Board conducts an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. It periodically evaluates and monitors the implementation of such policies and strategies, including the business plans and operating budgets and monitor and assess the Management's overall performance based on established performance standards that are consistent with the Company's strategic objectives. The Company has not yet engaged a third party auditor to conduct the assessment.

The Corporate Governance Committee takes into consideration the performance of the directors when it reviews, evaluates, pre-screens and shortlists the nominees of candidates to become a member of the Board of Directors and other appointments requiring Board approval.

### Deviations from Manual and Sanctions Imposed

In 2022, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions. No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company's Manual on Corporate Governance.

### Plan to Improve Corporate Governance

The Company adopted a Manual of Corporate Governance that is compliant with SEC Memorandum Circular No. 19, Series of 2016. The Company will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

## VIII. FINANCIAL INFORMATION

### Management's Discussion and Analysis of Results of Operations and Financial Condition

#### Management's Discussion and Analysis of Results of Operations and Financial Condition

##### Results of Operations

*(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)*

##### **Review of three Months ending March 31, 2023 versus three Months Ending March 31, 2022**

In the three months ended March 31, 2023, the Company saw an increase in net income to Php730 million from Php687 million in the same period last year. The increase was mainly driven by the transfer of the four (4) Prime, Grade A office buildings located in PEZA-Registered Zones, in exchange for shares of stock in the Company.

##### Revenues

Rental income grew by 9% or Php68 million to Php811m in the first quarter of 2023 from Php742m in the first quarter of 2022. This includes rental from office, retail and hotel including the hotel's parking spaces. Income from dues-net increased by 41% or Php65 million to Php224.4 million from Php158 million. This includes primarily billings of Common Use Service Area (CUSA) fees and utilities usage to tenants. Increases in both items is mainly due to the recognition of the related rental income and income from due-net of the additional assets transferred to the Company.

##### Cost and Expenses

Cost of services also grew by 64% from Php217 million during the first quarter of 2023 from Php132m. The increase of cost of service in Q1 of 2023 comprises mainly on repairs and maintenance on the building improvements, management fees, real property tax and other direct cost with full recognition of expenses in four 4 new properties acquired.

Other operating expenses increased by 166% due to the one-time expense incurred in relation to the confirmation of valuation sought from the SEC for the property for share swap transaction.

##### Tax Expense

Tax expense increased by 229% to Php1.7 million due to the higher final taxes arising from the higher interest income generated from the Company's short term placement.

|                                       | March 31, 2023 | December 31, 2022 |
|---------------------------------------|----------------|-------------------|
| Current Ratio <sup>1</sup>            | 2.17           | 2.52              |
| Debt to Equity Ratio <sup>2</sup>     | 0.13           | 0.16              |
| Net Debt to Equity Ratio <sup>3</sup> | 0.14           | 0.13              |
| Return on Assets <sup>4</sup>         | 1.19%          | -0.30%            |
| Return on Equity <sup>5</sup>         | 1.40%          | -0.35%            |

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.

- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

*Material Changes in the Financial Statements*

**(Increase/decrease of 5% or more)**

**Statement of Financial Position (March 31, 2023 vs December 31, 2022)**

| Item                           | March 31, 2023   | Increase/<br>Decrease | %<br>Change | Causes  |
|--------------------------------|------------------|-----------------------|-------------|---|
| Trade and other receivables    | 607,575,335.82   | 297,734,304.82        | 96%         | Increase due to assignment of receivables, security deposits and advance rentals arising from the infusion of additional four (4) office assets as part of the Property for Share swap transaction  |
| Other current assets           | 204,424,114.00   | (63,885,002.00)       | (24%)       | Decrease due to the reduction on the balance of various prepayments   |
| Accounts and other payables    | 677,740,095.59   | 183,751,772.59        | 37%         | Increase due to rise in fund and property management fees, and other payables such as trade, output vat and deferred output vat payable related to the addition of the four (4) office assets during the quarter  |
| Deposits and other liabilities | 1,076,593,728.52 | 65,809,979.52         | 7%          | Increase due to assignment of deposits and advance rentals arising from the infusion of additional four (4) office assets   |
| Investment properties          | 61,713,000,000   | 5,274,000,000.00      | 10%         | Increase due to the infusion of additional four (4) office assets as part of the Property for Share Swap transaction. The SEC issued its confirmation of valuation for the properties in March 23, 2023 triggering the issuance of new shares and the injection of said assets. |
| Capital stock                  | 2,795,821,381.00 | 263,700,000.00        | 10%         |   |
| Additional Paid In Capital     | 52,782,813,885   | 4,875,347,850.00      | 10%         |   |
| Retained earnings (deficit)    | (805,740,083.00) | 115,618,240.00        | (13%)       | Movement in retained earnings due to the undistributed net income recognized during the quarter   |

### Statement of Income (March 31, 2023 vs March 31, 2022)

| Item                     | Mar 31, 2023<br>(3 Months) | Increase/<br>Decrease | %<br>Change | Causes   |
|--------------------------|----------------------------|-----------------------|-------------|--|
| Rental income            | 811,510,307.80             | 68,785,248.55         | 9%          | Increase in revenue is due to the recognition of additional income coming from the four (4) office assets infused during the quarter   |
| Income from dues - net   | 224,411,108.44             | 65,570,063.05         | 41%         |  |
| Cost of services         | 217,303,599.79             | 84,957,891.47         | 64%         | Increase is mainly due to various building improvements implemented in first quarter of 2023. In addition, outside services and management fees also increased due to the injection of additional properties |
| Other operating expenses | (20,197,279.23)            | (12,599,446.13)       | 166%        | Increase is primarily due to one-time payment of fees to the SEC as part of the requirements for the Property for Share Swap transaction   |
| Interest income          | 8,866,226.99               | 6,074,371.99          | 218%        | Increase due to interest earned from short-term placements   |
| Miscellaneous income     | 84,821.43                  | 77,073.43             | 995%        | Increase due to collection of penalties and non-recurring rental related income from tenants in the current quarter  |
| Tax Expenses             | (1,711,650.73)             | (1,191,011.68)        | 229%        | Increase is due to higher final tax expense alongside with the higher interest income earned from short term placements during the current period  |

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

### **Review of Twelve Months ending December 31, 2022 versus Twelve Months Ending December 31, 2021**

The Company saw its net income decline from Php2,014 million in the twelve months ending December 31, 2021 to a net loss of Php177 million in the same period this year. The decline was mainly driven by the fair value loss recorded in the current year arising from the downward adjustment in the appraisal of the Company's investment properties. The downward adjustment came about as a result of the rising interest rates which is a key input in the income approach used in the appraisal of the properties.

### **Revenues**

Rental income grew to Php2,918 million from Php1,393 million while income from dues – net grew to Php731 million from 295 million in the same period last year. Both increases are attributable to the full year recognition of income in the current year from the fourteen (14) Prime, Grade A office buildings that the Company owns.

### Cost and Expenses

Cost of services also grew to Php676 million from Php243 million, while other operating expenses grew to Php38 million from Php28 million, in the same period last year as a result of the full year recognition of expenses for the operation of the 14 office buildings.

A fair value loss of Php2,822 million was also recorded this year for the reason stated above. In the same period last year, a total fair value gain of Php943 million was recorded arising from upward adjustments in the appraisal of the Company's investment Properties.

Interest expense also rose to Php309 million from Php24 million in the previous year due to the interest-bearing loan secured by the Company to finance the acquisition of additional four (4) office assets on December 21, 2021.

### Tax Expense

Tax expense declined to (Php0.5 million) from Php100 million in the same period last year due to the one time recognition of deferred tax income in the prior year.

### Financial Condition as of the end of December 31, 2022

The Company maintains a prudent financial policy and has a healthy balance sheet to support its financial and operational requirements. As of December 31, 2022, the Company's total assets stand at Php58.5 billion, a 3.9% decrease from the previous period arising from the adjustment in appraisal of the Company's properties.

The Company's total current assets now stand Php1,913 million compared to Php1,493 million in December 31, 2021. The change was driven by an increase in the company's trade and other receivables.

Interest bearing loans, net of capitalized transaction costs, remain at Php7.2 billion as of December 31, 2022, arising from the term loan obtained from a local bank to partially finance the acquisition of the four office assets.

The top five (5) key performance indicators of the Company are shown below:

|                                       | December 31, 2022 | December 31, 2021 |
|---------------------------------------|-------------------|-------------------|
| Current Ratio <sup>1</sup>            | 2.52              | 3.43              |
| Debt to Equity Ratio <sup>2</sup>     | 0.15              | 0.14              |
| Net Debt to Equity Ratio <sup>3</sup> | 0.13              | 0.11              |
|                                       | December 31, 2022 | December 31, 2021 |
| Return on Assets <sup>4</sup>         | -0.30%            | 3.57%             |
| Return on Equity <sup>5</sup>         | -0.35%            | 3.91%             |

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

*Material Changes in the Financial Statements*

**(Increase/decrease of 5% or more)**

**Statement of Financial Position (December 31, 2022 vs December 31, 2021)**

| Item                        | Dec. 31, 2022 | Increase/<br>Decrease | %<br>Change | Causes  |
|-----------------------------|---------------|-----------------------|-------------|---|
| Trade and other receivables | 309,841,031   | 165,163,355           | 114%        | Increase due to a combination of increase in accrued receivables arising from straight-line method recognition of rental income and increase in billed receivables which are generally collectible on a 30-day term |
| Other current assets        | 268,309,116   | 197,046,765           | 277%        | Increase due to additional creditable withholding taxes and prepaid expenses  |
| Other non-current assets    | 92,640,614    | 38,198,685            | 70%         | Increase is due to the additional security deposit paid for the additional assets   |
| Accounts and other payables | 493,988,323   | 321,796,980           | 187%        | Increase due to rise in fund and property management fees that are payable annually and quarterly, respectively   |
| Retained earnings (deficit) | -921,358,323  | -2,643,092,985        | -154%       | Decrease due to recognition of fair value losses from adjustment in the appraisal of the Company's investment properties  |

**Statement of Income (December 31, 2022 vs December 31, 2021)**

| Item                     | Dec. 31, 2022<br>(12 Months) | Increase/<br>Decrease | %<br>Change | Causes  |
|--------------------------|------------------------------|-----------------------|-------------|---|
| Rental income            | 2,917,785,685                | 1,525,243,792         | 110%        | Increase due to full year recognition of revenues and expenses from the Company's fourteen (14) buildings |
| Income from dues - net   | 730,981,573                  | 435,614,410           | 147%        |   |
| Cost of services         | 675,974,769                  | 432,517,562           | 178%        |   |
| Other operating expenses | 37,636,707                   | 9,244,646             | 33%         |   |

| Item   | Dec. 31, 2022<br>(12 Months) | Increase/<br>Decrease | %<br>Change | Causes  |
|--|------------------------------|-----------------------|-------------|---|
| Fair value gains (losses) on investment properties | -2,822,000,000               | -3,764,592,380        | -399%       | Decrease due to non-recurring downward adjustment in the fair value of the Company's investment properties for the year current reporting period. In the previous year, a non-recurring upward adjustment was recognized in the fair value of the Company's investment properties |
| Interest expense                                   | 309,090,834                  | 282,854,303           | 1078%       | Increase primarily due to the interest payments and accruals arising from the Php7.25 billion interest bearing loan obtained by the Company in December 2021  |
| Interest income                                    | 23,042,323                   | 14,030,848            | 156%        | Increase due to interest earned over the full year from short term placements   |
| Miscellaneous income                               | 688,017                      | 688,017               | N/A         | Increase due to collection of penalties and non-recurring rental related income from tenants in the current year  |
| Tax income (expenses)                              | -4,348,835                   | -103,928,787          | -104%       | Decrease is due to the deferred tax income recognized in the prior year. The Company availed of tax incentives available under the REIT Act, thus no deferred taxes were recognized on temporary differences as of the current year.  |

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

#### **Review of Six Months ending December 31, 2021 versus Six Months Ending June 30, 2021**

In the six months ending December 31, 2021, the Company saw an increase in its net income by 519% to Php2,014 million from Php325.5 million in the previous period. The increase was mainly driven by increase in rental revenues from the acquisition of the initial ten buildings, in exchange for shares of stock in the Company (the Initial Properties), in June 2021.

In December 2021, the Company also acquired four prime office assets from Megaworld for a consideration amounting to Php9,116 million, namely World Finance Plaza in McKinley Hill, Two Techno Place, Three Techno Place, and One Global Center in Iloilo Business Park which started contributing to the Company's income towards the end of the period.

#### **Revenues**

Revenues, primarily from rental income, grew by 543% to Php1,461 million from Php227 million for the same reason above. Total costs and expenses likewise grew by 493% to Php233 million from Php39.2 million.

## Cost and Expenses

Cost of services also grew to Php132.3 million from nil in the same period last year for the same reason mentioned above.

## Other Income and Expenses

Meanwhile, other income and charges – net grew by 187% to Php687 million from Php239 million due mainly to the recognition of the fair value gain arising from the re-appraisal of the Initial Properties pursuant to the requirements under the REIT Law and the Revised REIT IRR.

### *Financial Condition as of the end of December 31, 2021*

The Company maintains a prudent financial policy and has a healthy balance sheet to support its financial and operational requirements. As of December 31, 2021, the Company's total assets stand at Php60.9 billion, a 17% increase from the previous period.

The Company's total current assets now stand Php1,493 million compared to Php2,319 million in June 30, 2021. The change was driven by the utilization of the Company's cash balance to partially fund its acquisition of the four office assets in December 2021 to improve the Company's productive use of its resources.

Interest bearing loans, net of capitalized transaction costs, now stand at Php7.2 billion as of December 31, 2021, arising from the term loan secured from a local bank to partially finance the acquisition of the four office assets.

The top five (5) key performance indicators of the Company are shown below:

|                                       | <b>December 31, 2021</b> | <b>June 30, 2021</b> |
|---------------------------------------|--------------------------|----------------------|
| Current Ratio <sup>1</sup>            | 3.43                     | 9.51                 |
| Debt to Equity Ratio <sup>2</sup>     | 0.14                     | 0.00                 |
| Net Debt to Equity Ratio <sup>3</sup> | 0.11                     | -0.05                |
|                                       | <b>December 31, 2021</b> | <b>June 30, 2021</b> |
| Return on Assets <sup>4</sup>         | 3.57%                    | 1.26%                |
| Return on Equity <sup>5</sup>         | 3.91%                    | 1.28%                |

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.



*Material Changes in the Financial Statements*

**(Increase/decrease of 5% or more)**

**Statement of Financial Position (December 31, 2021 vs June 30, 2021)**

| <b>Item</b>                    | <b>Dec. 31, 2021</b> | <b>Jun. 30, 2021</b> | <b>Increase/<br/>Decrease</b> | <b>%<br/>Change</b> | <b>Causes</b>   |
|--------------------------------|----------------------|----------------------|-------------------------------|---------------------|---|
| Cash and cash equivalent       | 1,333,805,607        | 2,308,916,531        | (975,110,924)                 | -42%                | Decrease due to the utilization of the Company's cash balance to partially fund its acquisition of the four office assets in December 2021  |
| Trade and other receivables    | 144,677,676          | 21,639,741           | 123,037,935                   | 569%                | Increase due to a combination of increase in accrued receivables arising from straight-line method recognition of rental income and increase in billed receivables which are generally collectible on a 30-day term |
| Other current assets           | 71,262,351           | 1,194,220            | 70,068,131                    | 5,867%              | Increase in creditable withholding taxes and prepaid expenses   |
| Investment properties          | 59,261,000,000       | 49,443,000,000       | 9,818,000,000                 | 20%                 | Increase due to the acquisition of the four office assets in December 2021 and increase in value from the re-appraisal of assets  |
| Accounts and other payables    | 172,191,343          | 63,879,299           | 108,312,044                   | 170%                | Increase due to the commencement of Fund Manager and Property Manager services whose fees are payable annually and quarterly respectively   |
| Interest bearing loans         | 7,195,789,259        | -                    | 7,195,789,259                 | N/A                 | Increase due to the interest-bearing loan secured from a local bank to partially finance the acquisition of the four office assets  |
| Deposits and other liabilities | 1,335,884,883        | 909,810,575          | 426,074,308                   | 47%                 | Increase due to assumption of security deposit and  |

|                          |               |             |               |       |  |
|--------------------------|---------------|-------------|---------------|-------|--|
|                          |               |             |               |       | advance rent liabilities arising from the assignment of leases from the acquisition in December 2021 |
| Deferred tax liabilities | -             | 101,168,724 | (101,168,724) | -100% | Reversal of deferred tax liabilities   |
| Retained earnings        | 1,721,734,662 | 315,227,607 | 1,406,507,055 | 446%  | Represents net profit for the period net of dividends declared                                       |

**Statement of Income (December 31, 2021 vs June 30, 2021)**

| Item                                      | Dec. 31, 2021<br>(Six Months) | Jun. 30, 2021<br>(Six Months) | Increase/<br>Decrease | %<br>Change | Causes  |
|---|-------------------------------|-------------------------------|-----------------------|-------------|---|
| Rental income                             | 1,197,497,661                 | 195,044,232                   | 1,002,453,429         | 514%        | Increase due to recognition of income from the Initial Properties which were acquired June 2021   |
| Income from dues - net                    | 263,215,987                   | 32,151,176                    | 231,064,811           | 719%        |   |
| Cost of services                          | 222,987,792                   | 20,469,415                    | 202,518,377           | 989%        |   |
| Other operating expenses                  | 9,630,912                     | 18,761,149                    | (9,130,237)           | -49%        | Decrease due to one-time DST payment in the six months ending June 30, 2021 which is no longer and expense in the six months ending December 31, 2021                                   |
| Interest expense                          | 23,833,140                    | 2,403,391                     | 21,429,749            | 892%        | Increase mainly due to the accrual of interest from the interest-bearing loan secured in December 2021  |
| Interest income                           | 8,374,430                     | 637,045                       | 7,737,385             | 1215%       | Increase due to higher interest income earned from short-term placements  |
| Fair value gains on investment properties | 702,000,000                   | 240,592,380                   | 461,407,620           | 192%        | Increase due to the recognition of the fair value gain arising from the re-appraisal of the Initial Properties pursuant to the requirements under the REIT Law and the Revised REIT IRR |
| Tax Income (expense)                      | 99,579,952                    | (101,284,451)                 | (200,864,403)         | -198%       | Increase due to the reversal of deferred tax expense  |

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

## Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company.

## Section 49 of the Revised Corporation Code

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the previous annual stockholders' meeting is attached herein as **Annex "B"**.

The attendance of the directors at the meetings of the Board of Directors for the year 2022 is as follows:

| Name                         | No. of Meetings held during the year | No. of Meetings Attended | Percentage of Attendance |
|------------------------------|--------------------------------------|--------------------------|--------------------------|
| Francisco C. Canuto          | 10                                   | 10                       | 100%                     |
| Kevin Andrew L. Tan          | 10                                   | 10                       | 100%                     |
| Katherine L. Tan             | 10                                   | 10                       | 100%                     |
| Lourdes T. Gutierrez-Alfonso | 10                                   | 10                       | 100%                     |
| Antonio E. Llantada, Jr.     | 10                                   | 10                       | 100%                     |
| Jesus B. Varela              | 10                                   | 10                       | 100%                     |
| Sergio R. Ortiz-Luis, Jr.    | 10                                   | 10                       | 100%                     |

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Corporation in 2020, 2021 and 2022.

**The Company undertakes shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A and SEC Form 17-Q for the First Quarter of 2023, upon written request addressed to MREIT, Inc., Attention: The Corporate Secretary, 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634.**



## **Procedures and Requirements for Voting and Participation in the 2023 Annual Stockholders' Meeting**

Pursuant to Article 2, Sections 5 and 7 of the Company's Amended By-Laws, Sections 23 and 57 of the Revised Corporation Code, and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, and to conform with the government's regulations on social distancing and prohibition on mass gatherings and to protect the safety of its stockholders during the COVID-19 pandemic crisis, MREIT, Inc. (the "Company") will dispense with the physical attendance of its stockholders for the 2023 Annual Stockholders' Meeting ("Annual Meeting"). Instead, the Company will conduct the Annual Meeting scheduled on 2 June 2023 at 9:00 AM by remote communication and will conduct electronic voting *in absentia*.

Only stockholders of record as of 5 May 2023 are entitled to participate and vote in the Annual Meeting.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the Annual Meeting.

### **I. ONLINE REGISTRATION STEPS AND REQUIREMENTS**

- A. Stockholders may register from from 9:00 AM of 9 May 2023 until 5:00 PM of 23 May 2023 to signify his/her/its intention to participate in the Annual Meeting by remote communication. The registration steps and requirements are available the Company's website: <https://mreit.com.ph/asm2023>.
- B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph).

#### **B.1 For Individual Stockholders –**

- (i) Scanned copy of stock certificate issued in the name of the individual stockholder;
- (ii) Valid email address and active contact number;
- (iii) Scanned copy of valid government-issued identification card; and
- (iv) Recent photo of stockholder.

#### **B.2 For Stockholders with Joint Accounts –**

- (i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
- (ii) Scanned copy of stock certificate issued in the name of the joint stockholders;
- (iii) Valid email address and active contact number of the authorized stockholder;
- (iv) Scanned copy of valid government-issued identification card of the authorized stockholder; and
- (v) Recent photo of the authorized stockholder.

**B.3 For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'**

- (i) Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
- (ii) Broker's Certification on the stockholder's number of shareholdings;
- (iii) Valid email address and active contact number of the stockholder;
- (iv) Scanned copy of valid government-issued identification card of stockholder; and
- (v) Recent photo of stockholder.

**B.4 For Corporate Stockholders**

- (i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
- (ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
- (iii) Valid email address and active contact number of authorized representative;
- (iv) Valid government-issued identification card of authorized representative; and
- (v) Recent photo of stockholder.

- C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide instructions for the stockholder's access to the Company's electronic voting and to access the Annual Meeting livestreaming link.

**II. ELECTRONIC VOTING IN ABSENTIA**

- A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the Annual Meeting through electronic voting *in absentia*. The deadline for registration is 5:00 PM of 23 May 2023. Beyond this date, stockholders may no longer avail of the option to electronically vote *in absentia*.
- B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:
- (1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.
  - (2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.
  - (3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph).
  - (4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.
- C. Thereafter, the Office of the Corporate Secretary, through election inspectors appointed for the meeting, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies, subject to validation by representatives of the Company's external auditors.

- D. Registered stockholders shall have until 5:00 PM of 23 May 2023 to cast their votes *in absentia*. Stockholders will not be allowed to cast votes during the livestream of the Annual Meeting.

### III. VOTING BY PROXY

- A. For individual stockholders holding certificated shares of the Company – Download the proxy form that is available at <https://mreit.com.ph/asm2023>.
- B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Download the proxy form that is available at <https://mreit.com.ph/asm2023>. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.
- C. For corporate stockholders – Download the proxy form that is available at <https://mreit.com.ph/asm2023>. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form. For reference, a sample Secretary's Certificate is also available at <https://mreit.com.ph/asm2023>.
- D. General Instructions on Voting by Proxy:

- (1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.

Send the scanned copy of the duly executed proxy form via email to [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph) or submit the original proxy form to the Office of the Corporate Secretary at 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.

- (2) Deadline for the submission of proxies is at 5:00 PM of **23 May 2023**.
- (3) Validation of proxies will be on **26 May 2023**.
- (4) If a stockholder avails of the option to cast his/her vote electronically *in absentia* and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

### IV. PARTICIPATION BY REMOTE COMMUNICATION

- A. Only duly registered stockholders will be included in determining the existence of a quorum.
- B. Duly registered stockholders may send their questions and/or comments prior to the Annual Meeting through email at [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph). The deadline for submitting questions shall be at **5:00 PM of 23 May 2023**.
- C. The proceedings during the Annual Meeting will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph).

**MREIT, INC.**  
Minutes of the Annual Meeting of the Stockholders  
27 May 2022 / 9:00 a.m.  
by livestream access via <https://mreit.com.ph/asm2022>

Stockholders Present:

Please see the attached Annex "A".

Also Present:

|                           |   |
|---------------------------|---|
| Maria Carla T. Uykim      | - Corporate Secretary                         |
| Giovanni C. Ng            | - Treasurer                                   |
| Englebert G. Teh          | - Chief Financial Officer                     |
| Cheryll B. Sereno         | - Compliance Officer and Data Privacy Officer |
| Dave Michael V. Valeriano | - Investor Relations Officer                  |
| Renan A. Piamonte         | - External Auditor                            |

## **I. CALL TO ORDER**

The Chairman, Mr. Francisco C. Canuto, called the meeting to order at 9:00 a.m. and presided over the same. The Corporate Secretary, Atty. Maria Carla T. Uykim, recorded the proceedings thereof.

The meeting was conducted virtually to conform to the Government's regulation on physical distancing to help manage and prevent the spread of the COVID-19 virus.

## **II. PROOF OF NOTICE AND DETERMINATION OF QUORUM**

The Presiding Officer stated that the Corporation decided to hold this year's Annual Stockholders' Meeting (the "Meeting") via remote communication pursuant to the Corporation's Amended By-Laws and the Revised Corporation Code, and to conform to the government's regulations on physical distancing and restrictions on mass gatherings. He added that the Corporation adopted measures to afford the stockholders the opportunity to participate in the Meeting as effectively as a physical meeting.

The Corporate Secretary certified that all stockholders of record as of 27 April 2022 have been duly notified of the Meeting pursuant to the Corporation's By-Laws and applicable Securities and Exchange Commission ("SEC") Circulars, with copies of the Notice of the Annual Meeting, the Agenda, and the Definitive Information Statement were made available through:

1. The Corporation's website;
2. The Philippine Stock Exchange ("PSE") Electronic Disclosure Generation Technology or PSE EDGE;

The Corporate Secretary also certified that Notice of the Annual Meeting was also published in the Philippine Star and Manila Bulletin on April 20 and 21, 2022.

The Corporate Secretary certified that there existed a quorum to transact the business in the agenda for the Meeting, there being present in person or represented by proxy stockholders holding 66.91% of the entire subscribed and outstanding capital stock of the Corporation.

The Corporate Secretary certified that only stockholders who have successfully registered may participate in the Meeting. Moreover, the Corporate Secretary explained the Procedures for Registration, Voting and Participation in the Meeting contained in the Definitive Information Statement which were implemented as follows:

- i. Stockholder signifying their intention to participate by remote communication have registered by submitting the requirements by email to the Corporate Secretary at [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph);
- ii. Stockholders who have registered have sent their questions and/or comments prior to the meeting through email at [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph) until 5:00pm of 18 May 2022;
- iii. The resolutions proposed to be adopted at the meeting will be shown on the screen;
- iv. Stockholders who have duly registered to participate by remote communication have casted their votes by proxy or in absentia by sending their accomplished ballots by email to the Corporate Secretary until 5:00pm of May 18, 2022; and
- v. The Office of the Corporate Secretary has tabulated all valid and confirmed votes cast through electronic voting, together with the votes through proxies, and the voting results will be announced during the meeting and reflected in the minutes of the meeting.

### **III. APPROVAL OF MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETINGS**

The Presiding Officer then proceeded with the approval of the minutes of the Annual Stockholders' Meeting held on 28 May 2021, and the Stockholders' Meetings held on 15 June 2021, 12 July 2021, and 30 September 2021, and informed the stockholders that copies of the minutes of the meetings have been made available through the Corporation's website.

The Corporate Secretary then announced that 100% of the voting shares represented in the Meeting have voted in favor of the approval of the minutes of the Annual Stockholders' Meeting held on 28 May 2021, and the Stockholders' Meetings held on 15 June 2021, 12 July 2021, and 30 September 2021. Therefore, the Presiding Officer declared that the following resolution has been approved:

“RESOLVED, that the Corporation approve the Minutes of the Annual Stockholders' Meeting held on 28 May 2021, and the Stockholders' Meetings held on 15 June 2021, 12 July 2021, and 30 September 2021.”

### **IV. REPORT OF MANAGEMENT FOR 2021 AND OPEN FORUM**

The Corporation's President and Chief Executive Officer, Mr. Kevin Andrew L. Tan, presented his report on the Corporation's performance in 2021, outlook and strategy moving forward.



After Mr. Tan's report, the Presiding Officer requested Ms. April Rose Manozza from the Investor Relations Office to read the questions that were sent through [compliance@mreit.com.ph](mailto:compliance@mreit.com.ph). Below is a summary of the questions and the answers that were given:

Question : Do we anticipate the rising interest rates to have an impact on MREIT?

Answer : MREIT's only debt facility is a fixed rate term loan with interest rates locked in for three years. As such, we do not see rising interest rates to have any direct impact on MREIT's P&L in the immediate future. Indirectly, the current interest rate environment is indeed making fixed income investments more attractive. However, we still believe that there are key advantages in investing in REITs. We generally enter into long term contracts with our tenants which typically contain rent escalation clauses. This makes REITs a good source of passive income and an excellent inflation hedge.

Question : What is the dividend yield of MREIT and what can investors expect for this year?

Answer : Since the IPO, MREIT has declared total cash dividends equivalent to Php0.668 per share excluding the bonus dividends we have distributed along with last November's dividend declaration. This translates to 5.5% annualized yield on the offer price. As previously announced, we are projecting a total of Php1 per share dividend for this year. This translates to a 6.2% forward yield which is quite attractive. And this does not yet include the upside from the recently announced property for share swap transaction.

Question : Are there plans to infuse other asset types such as malls or hotels given the re-opening of the economy?

Answer : Right now, MREIT's focus is office buildings as we hope to be one of the largest office REITs in Southeast Asia. Our sponsor, Megaworld, is known as the largest office landlord in the Philippines with over 1.1 million sqm in GLA still not part of MREIT. With this, MREIT has more than enough room or runway for growth for quite a long period without having to look at other asset types. That being said, when the environment permits and if we believe that it will be value adding for MREIT's shareholders, we are open to consider other asset types.

Question : What is the current POGO exposure of MREIT? Would you have a view and/or outlook on POGOs?

Answer : MREIT does not have any exposure to POGO as this type of tenant may be unpredictable and is not in line with our criteria of investing only in stable yielding assets.

We currently enjoy 96% occupancy rate and we do not see the need to target other types of tenants that do not provide the same level of stability as BPOs and traditional office tenants.

Question : What do you think is the reason behind the recent dip in MREIT's share price?

Answer : Our view is that the recent price movement is driven by overall market factors including the increasing interest rates. The price movement is not necessarily reflective of a change in the company's fundamentals or performance. In fact, MREIT continues to maintain a high level of occupancy and implement its contracted rental escalations. In addition, we continue to inject new assets which is a key driver of growth. Since the transfer of the initial ten (10) assets last June, the company's distributable income has continued to increase quarter on quarter driven by organic and inorganic growth.

Question : What is the situation on the BPO workers' clamor for flexible work arrangements in response to the return to office order of PEZA?

Answer : The return to office order was quite abrupt and BPO tenants along with their employees had encountered some challenges in complying with this requirement immediately. However, we do see a gradual shift back to office-based work, for example in Iloilo where about 90% of employees are back to work, and in some areas of NCR where we see about 50% back to the offices. Thus, we anticipate that most of our BPO tenants will be able to comply with the return to office order very soon.

## **V. APPOINTMENT OF EXTERNAL AUDITORS**

The Presiding Officer informed the stockholders that the Audit Committee of the Board of Directors has recommended to the Board the engagement of Punongbayan & Araullo as independent auditors of the Corporation for the audit of the Corporation's financial statements for the year ending 31 December 2022, and that the Board has approved such engagement.

The Corporate Secretary then announced that 100% of the voting shares represented in the Meeting have voted in favor of the engagement of Punongbayan & Araullo as independent auditors for the fiscal year ending December 31, 2022. Therefore, the Presiding Officer declared that the following resolution has been approved:

"RESOLVED, that the Corporation approve the engagement of Punongbayan & Araullo for the audit of the Corporation's financial statements for the year ending December 31, 2022."

## **VI. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MANAGEMENT**

The Presiding Officer informed the stockholders that the next item on the agenda is the ratification of all acts and resolutions of the Board of Directors, Board Committees and

Officers of the Corporation since the date of last year's annual stockholders' meeting held on 28 May 2021 until 27 May 2022. He informed the stockholders that a list of such acts was provided in the Definitive Information Statement which was made available through the Corporation's website and PSE EDGE.

The Corporate Secretary certified that 100% of the voting shares represented in the Meeting have voted in favor of the ratification all acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation which were duly adopted in the ordinary course of business since the date of last year's annual stockholders' meeting held on 28 May 2021 until 27 May 2022. Therefore, the Presiding Officer declared that the following resolution has been approved:

“RESOLVED, that the stockholders of the Corporation ratify all acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation since the annual stockholders' meeting on 28 May 2021 until 27 May 2022.”

## **VII. ELECTION OF DIRECTORS**

The Presiding Officer informed the stockholders that, for the current year 2022, the Corporation shall be electing seven (7) Directors, at least one-third (1/3) of whom shall be Independent Directors pursuant to the REIT Act, and the Corporation's Revised Manual of Corporate Governance. He requested Ms. Cheryll Sereno, on behalf of the Corporate Governance Committee, to present the Final List of Nominees for members of the Board of Directors.

Ms. Sereno presented the final list of nominees to the Board of Directors, as follows: Mr. Francisco C. Canuto, Mr. Kevin Andrew L. Tan, Mrs. Katherine L. Tan, and Ms. Lourdes T. Gutierrez-Alfonso as Regular Directors; and Mr. Jesus B. Varela, Mr. Sergio R. Ortiz-Luis, Jr., and Mr. Antonio E. Llantada, Jr. as Independent Directors.

Ms. Sereno likewise reported that the Final List of Nominees for election as directors of the Corporation possess all the qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Corporate Secretary then informed the Presiding Officer that no further nominations shall be allowed pursuant to the Corporation's By-Laws, as amended.

The Corporate Secretary certified that each of the nominees have obtained the required number of votes to be elected as members of the Board. Therefore, the Presiding Officer declared that the following resolution electing the members of the Board has been approved:

“RESOLVED, that the Corporation elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

1. Mr. Francisco C. Canuto
2. Mr. Kevin Andrew L. Tan
3. Mrs. Katherine L. Tan
4. Ms. Lourdes T. Gutierrez-Alfonso
5. Mr. Jesus B. Varela
6. Mr. Sergio R. Ortiz-Luis, Jr. and

7. Mr. Antonio E. Llantada, Jr.


## VIII. ADJOURNMENT

The Presiding Officer inquired if there are other matters in the agenda. The Corporate Secretary replied there were none. There being no other matters to be discussed, the Meeting was adjourned at 9:33 a.m.

CERTIFIED CORRECT:

  
**MARIA CARLA T. UYKIM**  
Corporate Secretary

ATTESTED BY:

  
**FRANCISCO C. CANUTO**  
Chairman and Presiding Officer

**Annex A**  
**Tabulation of Attendance**

| Name   | Number of Shares     |
|--|----------------------|
| Francisco C. Canuto                          |                      |
| As stockholder                               | 1,000                |
| As proxy for Deutsche Bank AG Manila         | 1,080,000            |
| As proxy for Citibank N.A.                   | 151,100              |
| As proxy for Citibank N.A.                   | 924,000              |
| As proxy for Citibank N.A.                   | 90,103,000           |
| As proxy for Standard Chartered              | 12,239,300           |
| As proxy for Standard Chartered              | 7,154,300            |
| As proxy for The HSBC                        | 225,500              |
| Kevin Andrew L. Tan                          |                      |
| As stockholder                               | 9,995,000            |
| As proxy for Megaworld Corporation           | 1,572,282,881        |
| Katherine L. Tan                             | 1,000                |
| Lourdes T. Gutierrez-Alfonso                 | 1,000                |
| Jesus B. Varela                              | 1,000                |
| Sergio R. Ortiz-Luis, Jr.                    | 1,000                |
| Antonio E. Llantada, Jr.                     | 1,000                |
| Adrian G. Bondoc                             | 100                  |
| Anthony Gilbert L. Antiquera                 | 100                  |
| Edward C. Yao                                | 1,300                |
| Julius Victor Sanvictores                    | 800                  |
| <b>TOTAL NUMBER OF SHARES</b>                | <b>1,694,163,381</b> |
| Outstanding Capital Stock with Voting Rights | 2,532,121,381        |
| % Present or Represented                     | <b>66.91%</b>        |



PSE Security Code \_\_\_\_\_  
SEC Number CS202052294  
File Number \_\_\_\_\_

**MREIT, INC.**

\_\_\_\_\_  
(Company's Full Name)

**18<sup>TH</sup> FLOOR ALLIANCE GLOBAL TOWER, 36<sup>TH</sup> STREET CORNER  
11<sup>TH</sup> AVENUE, UPTOWN BONIFACIO, TAGUIG CITY 1634,  
METRO MANILA, PHILIPPINES**

\_\_\_\_\_  
(Company's Address)

**(02) 88946400**

\_\_\_\_\_  
(Company's Telephone Number)

**DECEMBER 31**

\_\_\_\_\_  
(Fiscal Year Ending)  
(Month & Day)

**SEC FORM 17-A (2022)**

\_\_\_\_\_  
(Form Type)

\_\_\_\_\_  
(Amendment Designation, if Applicable)

\_\_\_\_\_  
Period Ended Date

**PERMIT TO OFFER SECURITIES FOR SALE**

\_\_\_\_\_  
(Secondary License Type, if any)

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A  
ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF THE CORPORATION CODE**

1. For the fiscal year ended **31 December 2022**
2. SEC Identification Number: **CS202052294**      3. BIR Tax Identification No. **502-228-971**
4. **MREIT, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code
7. **18<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor.  
11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634**  
Address of principal office
8. **(02) 88946400**  
Registrant's telephone number, including area code
9. Former name, former address and formal fiscal year, if changed since last report:  
**N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

|                     |                                       |
|---------------------|---------------------------------------|
| Title of Each Class | Number of Shares of Stock Outstanding |
| <b>Common</b>       | <b>2,532,121,381</b>                  |

11. Are any or all of these securities listed on a Stock Exchange?

**[x] Yes                      [ ] No**

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange      Common Shares**

12. Check whether the issuer:

has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.

**[x] Yes                      [ ] No**

has been subject to such filing requirements for the past ninety (90) days.

**[x] Yes                      [ ] No**

13. Aggregate Market Value of Voting Common Stock held by Non-Affiliates as of 31 December 2022 is Php13,753,647,000.00 based on the closing price of Php14.48 per share.



14. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:
- (a) 2022 Audited Financial Statements;
  - (b) Pursuant to SEC Memorandum Circular No. 4-2019, MREIT, Inc.'s Sustainability Report for 2022 is attached to and submitted together with this SEC Form 17-A.

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **ITEM 1. BUSINESS**

#### **Background**

MREIT, Inc. (the Company) is a real estate investment trust (REIT) incorporated under the Philippine Real Estate Investment Trust Law (Republic Act No. 9856) on 2 October 2020. The Company was designated by Megaworld Corporation (Megaworld), its Parent and Sponsor, to operate as its flagship REIT company, the primary focus of which will be office and retail leasing to a diversified tenant base, with a high-quality portfolio of 14 office, hotel, retail and other assets across the Philippines and an aggregate GLA of 280,175 sqm as of 31 December 2022.

The Company 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, with no preferred shares and no shares held in treasury.

On 1 October 2021, the Company conducted an initial public offering and listed its shares in the Philippine Stock Exchange (PSE). MREIT has a total market capitalization of Php36.7 billion based on the closing price of Php14.48 per common share on 29 December 2022, the last trading day of the year. As of 31 December 2022, the Company has 2,532,121,381 common shares issued and outstanding. 62.09% of the issued and outstanding shares is held by the Sponsor, Megaworld, while the remaining 37.51% is held by the public.

#### **The Business**

MREIT is a REIT formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. 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. As of 31 December 2022, the Company owns and operates a total of fourteen (14) mixed-use buildings, with a total gross leasable area of 280,175 sqm, namely:

##### **Quezon City**

1800 Eastwood Avenue  
1880 Eastwood Avenue  
E Commerce Building

##### **Taguig City**

One World Square  
Two World Square  
Three World Square  
8/10 Upper Mckinley  
18/20 Upper Mckinley  
World Finance Plaza

##### **Iloilo City**

Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower  
One Techno Place  
Two Techno Place  
Three Techno Place  
One Global Center

All 14 Properties were acquired from Megaworld in 2021. In furtherance of the transfer, assignment and conveyance in favor of the Company of all of Megaworld's rights, title and interests in the Properties, Megaworld also assigned in favor of the Company all of its rights and interests in and to the contracts of lease over portions of the Properties leased out to various entities as office, retail and hotel. The Company started earning rental income from the Properties in 2021. (For more information, see Exhibit 1 – Audited Financial Statements).

As a commercial REIT, MREIT will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, MREIT may also explore other types of real estate properties available in the market. MREIT offers Shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Megaworld, experienced management with incentive to grow the Company's Gross Revenue and Net Operating Income, and distribution of at least 90% of the Company's Distributable Income.

Through its Fund Manager, the Company intends to maximize investment returns by growing the Gross Revenue as well as the Net Operating Income from the Company's 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 its investors.

The Company derives its revenues through leasing real properties. The fourteen (14) mixed used buildings owned by the Company located in Quezon City, Taguig City and Iloilo City are leased out to various entities as office, retail and hotel. All of the Properties were developed by Megaworld and stand on land leased from Megaworld for an aggregate period of 50 years.

All Properties are PEZA-registered and/or located in PEZA-registered zones. The Company's portfolio has tenants across various sectors which are categorized 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, the Company has secured a number of major BPO customers as long-term tenants in the properties. As of 31 December 2022, 90% or 251,910 sqm of the total available GLA of the portfolio was occupied by BPOs and traditional offices, and 3% or 8,727 sqm of the total available GLA of the portfolio was occupied by retail and other tenants including 6,769 sqm pertaining to the hotel GLA.

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. The Properties have enjoyed consistently high occupancy rates thus earning stable rental revenues. Most of the commercial office lease agreements for the Company's properties are for tenancy periods of between five (5) to ten (10) years. To ensure the timely payment of rent, arrears management procedures are enforced to ensure timely payment of rent. For office properties, the Company requires three months' deposit and three months' advance rental. For retail properties, the Company requires six months' deposit and one month advance rental. Rentals, as well as common use service area (CUSA) fee of the maintenance upkeep of the buildings, are billed monthly or quarterly, and are collected every fifth of the month or first month of the quarter. In addition, under the general terms of the leases, lessees and tenants for office properties are obligated to pay additional security deposit also equivalent to three months' rental upfront.

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.

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 allowed, 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.

### *Distribution Methods of Services*

The Company caters primarily to office tenants. As of December 31, 2022, commercial office space comprised approximately 94% of the total gross leasable area of the properties, leased out to BPOs and traditional office lessees. The remaining 6% of the GLA is allotted to retail tenants and hotel operations.

### *Marketing*

The Company engages the services of MREIT Property Managers, Inc. (MPMI) to render, among other things, marketing services of vacant office units, retail units, and other spaces in the properties, including the preparation and submission of proposals and offers to prospective lessees in the name of the Company, and the identification of potential tenants. MPMI also formulates and implements leasing and marketing strategies, and packages leasing and marketing materials to be provided to prospective lessees. In exchange for MPMI's services, the Company pays property management fee to MPMI on a quarterly basis.

### *Competition*

The Company believes that the 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. The Company considers as primary competitors Ayala Land, Inc. and its REIT Subsidiary, SM Prime Holdings, Inc., Robinsons Land Corporation and its REIT Subsidiary, Filinvest Land Inc. and its REIT Subsidiary, and Double Dragon Properties Corporation and its REIT Subsidiary.

The Company competes on the basis of the strategic locations of its buildings, including their proximity to the malls and residences as part of its mixed-use developments and accessibility to public transportation. The Company believes that its and its Sponsor's established reputation for good quality, ease of doing business, and completing projects on time makes the Company one of the most preferred choices of the BPO industry as well as local and multinational companies. The Company is 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 its customers. Together with Megaworld, the Company aims to maintain its leading position in the office leasing market.

### *Suppliers*

The Company has a broad base of suppliers that cater to the operation, maintenance and upkeep of the Company's properties, which the Company engages either directly or through the property manager.

### *Transactions with and/or dependence on related parties*

The Company, in its ordinary course of business, engages in transactions with its parent and affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Transactions with related parties include asset acquisitions from, property-for-share swap transactions and land leases with, Megaworld (the Company's Parent and Sponsor), and fund and property management agreements with affiliates. As a newly established business, the Company's current operations depend principally on the services of its Senior Management, comprised of officers who are seconded from Megaworld, and the services of its fund and property managers. Other related party transactions include advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. (For more information, see Exhibit 1 – Audited Financial Statements, Note 15).

### *Intellectual Property*

The Company has adopted a logo of MREIT which has been filed for the trademark registration with the Philippine Intellectual Property Office. The Company has also secured an exclusive domain for its website and email system ([www.mreit.com.ph](http://www.mreit.com.ph)).

The Company also relies on Megaworld's trademarks to establish and protect its business interests, believing that Megaworld's trademarks and intellectual property rights are important to the Company's success and competitive position. Megaworld, the 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. Megaworld has granted the Company non-exclusive rights to use the foregoing marks where the Properties are located for free for a period of 25 years plus an extension of 25 years, commencing on June 1, 2021.

### *Regulatory*

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 (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.

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 (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.

The REIT Law and the Revised REIT IRR limit the allowable investment of a REIT mainly to income generating real estate. 75% of the total value of the REIT's assets, reflecting the fair market value of total assets held, 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 Securities and Exchange Commission. An investment in real estate may, by way of direct ownership or a shareholding in a domestic special purpose vehicle, be 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 the 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.

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.

### *Government approvals and regulations*

The Company secures various government approvals, such as PEZA licenses, environmental compliance certificates, and operating permits, required primarily in the Company's operation of its

assets for leases. The Company's property manager is tasked to ensure that the Company's permits and licenses to operate the properties and to engage in property leasing business are up-to-date.

### *Employees*

The business of the Company is not highly dependent on the services of personnel outside those rendered by Senior Management, who are officers and employees of Megaworld, and by the Company's fund manager and property manager. As of December 31, 2022, the Company has two full-time employees.

The Company has no collective bargaining agreements with employees and there are no organized labor organizations in the Company.

### *Risks Associated with the Company's Business*

#### The Company is exposed to risks inherent in the Philippine real estate market.

The Company is highly dependent on the performance of the Philippine real estate market and the state of the Philippine economy because all of its 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 the Company's 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 the Company's 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 the Company's results of operations. Moreover, the ongoing COVID-19 pandemic could result in the Company's 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. Thus, the Company is directly affected by the risks that affect the Philippine property market as a whole, and the property market in the BPO sector in particular. The Company 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 the Properties and a decrease in rental rates.

#### The Company is exposed to risks that it will be unable to lease its properties in a timely manner or collect rent at profitable rates or at all.

The Company is subject to risks incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents.

#### Significant competition in the markets in which the Company operates could adversely affect its business.

The Company operates in a highly competitive industry. Its future growth and development are dependent, in large part, on the availability of large tracts of office and commercial assets suitable for acquisition, development or lease. As the Company and its competitors compete for such assets, it may become more difficult to find suitable properties in locations and at prices acceptable to the Company,

particularly in Metro Manila, CBDs and other key urban areas. To the extent that the Company is unable to grow its portfolio at acceptable prices, its growth prospects could be limited and its 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 the Company, compete with the Company in various aspects. Competition from other real estate developers and real estate services companies may adversely affect the Company's ability to grow its 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.

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

The Company's Properties cater primarily to the BPO sector and the traditional office sector. Majority of its 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 the Company 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 the Company's current tenants will not prefer different types of office space and rental arrangements. If the Company's 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 the Properties could be adversely affected, which could adversely affect the Company's financial condition and results of operations and ability to make distributions at the desired levels. The Company attempts 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 its Properties and by pursuing well-planned and timed asset acquisition and investments.

The Company does not own the lands on which its Properties are situated.

The Properties are situated on lands owned by Megaworld. Although the Company owns the Properties, the Company leases the underlying land from Megaworld pursuant to separate lease agreements for the land underlying each of the Properties.

Lease agreements were entered into between the Company and Megaworld over the land on which the Properties stood for an aggregate period of 50 years, comprising an initial lease period of 25 years, with the Company having the option to renew for 25 years on such terms and conditions mutually acceptable to the Company and Megaworld. As consideration for the land leases, the 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. Rent is exclusive of VAT, DST and other taxes which shall be borne by the Company. The rental amounts due to Megaworld from the Company may be renegotiated for the renewal period.

Any substantial changes to the land lease contracts or Megaworld's ownership or right over the leased land, as well as the cancellation or termination of the lease, may adversely affect the Company's financial condition and results of operations and ability to make distributions. Because Megaworld is the sponsor and remains as the majority shareholder of the Company, the Company believes that the interests of both parties are generally aligned and this alignment helps mitigate the risk.

The Company's 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 the Company are seconded from other companies in the Megaworld Group. As such, the Company is 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. These individuals possess deep industry knowledge and an acknowledged reputation in the market, owing to their track records and experience.

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, the Company's business, results of operations, and future prospects. The Company intends 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.

## **ITEM 2. PROPERTIES**

The principal properties of the Company as of 31 December 2022 consist of rental office and retail properties and hotels, including the following:

| <u>Property</u>                            | <u>Location</u>                            | <u>Description</u>                        | <u>GLA (in sq.m.)</u> |
|--|--|---|-----------------------|
| One World Square                           | McKinley Hill, Fort Bonifacio, Taguig City | 11-storey Office Tower                    | 30,481.7              |
| Two World Square                           | McKinley Hill, Fort Bonifacio, Taguig City | 16-storey Office Tower                    | 21,286.4              |
| Three World Square                         | McKinley Hill, Fort Bonifacio, Taguig City | 16-storey Office Tower                    | 21,216.6              |
| 8/10 Upper McKinley Building               | McKinley Hill, Fort Bonifacio, Taguig City | 10-storey Office Tower                    | 19,937.5              |
| 18/20 Upper McKinley Building              | McKinley Hill, Fort Bonifacio, Taguig City | 10-storey Office Tower                    | 19,413.8              |
| World Finance Plaza                        | McKinley Hill, Fort Bonifacio, Taguig City | 15-storey Office Tower                    | 25,066.5              |
| 1880 Eastwood Avenue                       | Eastwood, Quezon City                      | 10-storey Office Tower                    | 33,743.8              |
| 1800 Eastwood Avenue                       | Eastwood, Quezon City                      | 10-storey Office Tower                    | 34,738.2              |
| E-Commerce Plaza                           | Eastwood, Quezon City                      | 10-storey Office Tower                    | 20,940.2              |
| Richmonde Tower and Richmonde Hotel Iloilo | Iloilo Business Park, Iloilo City          | 3-storey Office Tower and 12-storey Tower | 6,354.8 and 6,769.1   |
| One Techno Place                           | Iloilo Business Park, Iloilo City          | 4-storey Office Tower                     | 9,548.7               |



| <u>Property</u>    | <u>Location</u>                   | <u>Description</u>    | <u>GLA (in sq.m.)</u> |
|--------------------|-----------------------------------|-----------------------|-----------------------|
| Two Techno Place   | Iloilo Business Park, Iloilo City | 5-storey Office Tower | 10,808.9              |
| Three Techno Place | Iloilo Business Park, Iloilo City | 4-storey Office Tower | 9,567.9               |
| One Global Center  | Iloilo Business Park, Iloilo City | 4-storey Office Tower | 10,301.0              |

On 1 April 2022, the Company approved the Property-for-Share Swap transaction with Megaworld pursuant to which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in four (4) Grade A buildings located in PEZA-registered Zones, namely: 100% ownership of Two Global Center and of Festive Walk 1B, which are located in Iloilo Business Park, and 80% pro indiviso ownership of One West Campus and of Five West Campus, which are located in McKinley Hill in Fort Bonifacio, Taguig, in exchange for 263,700,000 common shares of the Company, with a par value of P1 per share and APIC of P5,010,300,000.00, or for a total subscription price of P5,274,000,000.00. On 23 March 2023, the SEC approved the valuation of the Property-for-Share Swap, which resulted in the transfer of the four properties to the Company in 2023.

The Company continuously seeks opportunities to acquire properties in prime locations through purchase or otherwise to increase its leasable assets.

There are no mortgages, liens or encumbrances over any of the Properties owned by the Company.

### **ITEM 3. LEGAL PROCEEDINGS**

#### **No Material Pending Legal Proceedings**

Neither the Company or any of its Properties are involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries, or any of its or their properties.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matter was submitted during the fourth quarter of 2022 to a vote of security holders.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

### **ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

#### **Market Information**

The common shares of the Company are traded on the PSE under the symbol of MREIT. The Company's common stock was first listed on the PSE on 1 October 2021.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

| <b>Year</b> |      | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> |
|-------------|------|-----------|-----------|-----------|-----------|
| 2021        | High |           |           |           | 19.70     |
|             | Low  |           |           |           | 16.70     |
| 2022        | High | 22.50     | 18.58     | 16.04     | 14.48     |

| Year      | Q1    | Q2    | Q3    | Q4    |
|-----------|-------|-------|-------|-------|
| Low       | 18.50 | 15.14 | 13.90 | 11.28 |
| 2023 High | 15.36 |       |       |       |
| Low       | 13.70 |       |       |       |

Market price of the Issuer's Shares as at 31 December 2022 was ₱14.48 per share.

### Holders

As of 31 December 2022, the Company had 12 shareholders of record. The following table sets forth the shareholders of the Company as of 31 December 2022.<sup>1</sup>

| Rank | Name of Stockholder              | Number of Common Shares | Percentage of Ownership |
|------|----------------------------------|-------------------------|-------------------------|
| 1.   | Megaworld Corporation            | 1,572,282,881           | 62.09%                  |
| 2.   | PCD Nominee Corp. (Filipino)     | 921,466,148             | 36.61%                  |
| 3.   | PCD Nominee Corp. (Non-Filipino) | 38,339,352              | 1.30%                   |
| 4.   | Gilbert Raymund T. Reyes         | 10,000                  | 0.00%                   |
| 5.   | Myra P. Villanueva               | 10,000                  | 0.00%                   |
| 6.   | Milagros P. Villanueva           | 4,000                   | 0.00%                   |
| 7.   | Myrna P. Villanueva              | 4,000                   | 0.00%                   |
| 8.   | Marietta V. Cabreza              | 1,000                   | 0.00%                   |
| 9.   | Antonio E. Llantada Jr.          | 1,000                   | 0.00%                   |
| 10.  | Sergio R. Ortiz-Luis Jr.         | 1,000                   | 0.00%                   |
| 11.  | Katherine L. Tan                 | 1,000                   | 0.00%                   |
| 12.  | Jesus B. Varela                  | 1,000                   | 0.00%                   |

### Dividends and Dividend Policy

The Company is 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 Company's assets that are reinvested in the Company 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. The Company 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 Company's Board, including the unanimous vote of all its 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 Securities and Exchange Commission

<sup>1</sup> The shares of Mr. Kevin Andrew L. Tan, Mr. Francisco C. Canuto, and Ms. Lourdes T. Gutierrez-Alfonso are lodged with PCD Nominee Corporation.

(SEC) within five working days from receipt of the request for approval. If the SEC does not act on said request within such a period, the declaration shall be deemed approved.

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.

The Company's distributable income as of 31 December 2022 is Php2,526,193,870, computed by deducting the fair value adjustment of investment properties and unrealized gains from the Company's net income.

Out of the distributable net income for 2022, the Company declared total cash dividends on the Company's common shares amounting to Php2,473,882,590 broken down as follows;

| Payment Date      | Amount         | Amount per Share |
|-------------------|----------------|------------------|
| May 31, 2022      | Php615,305,496 | Php0.2430        |
| September 9, 2022 | Php624,927,557 | Php0.2468        |
| December 15, 2022 | Php618,850,466 | Php0.2444        |
| February 15, 2023 | Php614,799,071 | Php0.2428        |
| <b>Total</b>      |                | <b>Php0.9777</b> |

The Company has distributed 98% of its distributable income for the period.

## **ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION AND FINANCIAL CONDITION**

### **Results of Operations**

*(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)*

#### **Review of Twelve Months ending December 31, 2022 versus Twelve Months Ending December 31, 2021**

The Company saw its net income decline from Php2,014 million in the twelve months ending December 31, 2021 to a net loss of Php177 million in the same period this year. The decline was mainly driven by the fair value loss recorded in the current year arising from the downward adjustment in the appraisal of the Company's investment properties. The downward adjustment came about as a result of the rising interest rates which is a key input in the income approach used in the appraisal of the properties.

### **Revenues**

Rental income grew to Php2,918 million from Php1,393 million while income from dues – net grew to Php731 million from 295 million in the same period last year. Both increases are attributable to the full year recognition of income in the current year from the fourteen (14) Prime, Grade A office buildings that the Company owns.

### **Cost and Expenses**

Cost of services also grew to Php676 million from Php243 million, while other operating expenses grew to Php38 million from Php28 million, in the same period last year as a result of the full year recognition of expenses for the operation of the 14 office buildings.

A fair value loss of Php2,822 million was also recorded this year for the reason stated above. In the same period last year, a total fair value gain of Php943 million was recorded arising from upward adjustments in the appraisal of the Company's investment Properties.

Interest expense also rose to Php309 million from Php24 million in the previous year due to the interest-bearing loan secured by the Company to finance the acquisition of additional four (4) office assets on December 21, 2021.

### **Tax Expense**

Tax expense declined to (Php0.5 million) from Php100 million in the same period last year due to the one time recognition of deferred tax income in the prior year.

### *Financial Condition as of the end of December 31, 2022*

The Company maintains a prudent financial policy and has a healthy balance sheet to support its financial and operational requirements. As of December 31, 2022, the Company's total assets stand at Php58.5 billion, a 3.9% decrease from the previous period arising from the adjustment in appraisal of the Company's properties.

The Company's total current assets now stand Php1,913 million compared to Php1,493 million in December 31, 2021. The change was driven by an increase in the company's trade and other receivables.

Interest bearing loans, net of capitalized transaction costs, remain at Php7.2 billion as of December 31, 2022, arising from the term loan obtained from a local bank to partially finance the acquisition of the four office assets.

The top five (5) key performance indicators of the Company are shown below:

|                                       | <b>December 31, 2022</b> | <b>December 31, 2021</b> |
|---------------------------------------|--------------------------|--------------------------|
| Current Ratio <sup>1</sup>            | 2.52                     | 3.43                     |
| Debt to Equity Ratio <sup>2</sup>     | 0.15                     | 0.14                     |
| Net Debt to Equity Ratio <sup>3</sup> | 0.13                     | 0.11                     |
|                                       | <b>December 31, 2022</b> | <b>December 31, 2021</b> |
| Return on Assets <sup>4</sup>         | -0.30%                   | 3.57%                    |
| Return on Equity <sup>5</sup>         | -0.35%                   | 3.91%                    |

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

*Material Changes in the Financial Statements*

**(Increase/decrease of 5% or more)**

**Statement of Financial Position (December 31, 2022 vs December 31, 2021)**

| Item                        | Dec. 31, 2022 | Increase/<br>Decrease | %<br>Change | Causes  |
|-----------------------------|---------------|-----------------------|-------------|---|
| Trade and other receivables | 309,841,031   | 165,163,355           | 114%        | Increase due to a combination of increase in accrued receivables arising from straight-line method recognition of rental income and increase in billed receivables which are generally collectible on a 30-day term |
| Other current assets        | 268,309,116   | 197,046,765           | 277%        | Increase due to additional creditable withholding taxes and prepaid expenses  |
| Other non-current assets    | 92,640,614    | 38,198,685            | 70%         | Increase is due to the additional security deposit paid for the additional assets   |
| Accounts and other payables | 493,988,323   | 321,796,980           | 187%        | Increase due to rise in fund and property management fees that are payable annually and quarterly, respectively   |
| Retained earnings (deficit) | -921,358,323  | -2,643,092,985        | -154%       | Decrease due to recognition of fair value losses from adjustment in the appraisal of the Company's investment properties  |

**Statement of Income (December 31, 2022 vs December 31, 2021)**

| Item   | Dec. 31, 2022<br>(12 Months) | Increase/<br>Decrease | %<br>Change | Causes  |
|--|------------------------------|-----------------------|-------------|---|
| Rental income                                      | 2,917,785,685                | 1,525,243,792         | 110%        | Increase due to full year recognition of revenues and expenses from the Company's fourteen (14) buildings   |
| Income from dues - net                             | 730,981,573                  | 435,614,410           | 147%        |   |
| Cost of services                                   | 675,974,769                  | 432,517,562           | 178%        |   |
| Other operating expenses                           | 37,636,707                   | 9,244,646             | 33%         |   |
| Fair value gains (losses) on investment properties | -2,822,000,000               | -3,764,592,380        | -399%       | Decrease due to non-recurring downward adjustment in the fair value of the Company's investment properties for the year current reporting period. In the previous year, a non-recurring upward adjustment was recognized in the fair value of the Company's investment properties |
| Interest expense                                   | 309,090,834                  | 282,854,303           | 1078%       | Increase primarily due to the interest payments and accruals arising from the Php7.25 billion interest bearing loan obtained by the Company in December 2021  |

| Item                  | Dec. 31, 2022<br>(12 Months) | Increase/<br>Decrease | %<br>Change | Causes   |
|-----------------------|------------------------------|-----------------------|-------------|--|
| Interest income       | 23,042,323                   | 14,030,848            | 156%        | Increase due to interest earned over the full year from short term placements  |
| Miscellaneous income  | 688,017                      | 688,017               | N/A         | Increase due to collection of penalties and non-recurring rental related income from tenants in the current year   |
| Tax income (expenses) | -4,348,835                   | -103,928,787          | -104%       | Decrease is due to the deferred tax income recognized in the prior year. The Company availed of tax incentives available under the REIT Act, thus no deferred taxes were recognized on temporary differences as of the current year. |

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

#### **Review of Six Months ending December 31, 2021 versus Six Months Ending June 30, 2021**

In the six months ending December 31, 2021, the Company saw an increase in its net income by 519% to Php2,014 million from Php325.5 million in the previous period. The increase was mainly driven by increase in rental revenues from the acquisition of the initial ten buildings, in exchange for shares of stock in the Company (the Initial Properties), in June 2021.

Revenues, primarily from rental income, grew by 543% to Php1,461 million from Php227 million for the same reason above. Total costs and expenses likewise grew by 493% to Php233 million from Php39.2 million.

Meanwhile, other income and charges – net grew by 187% to Php687 million from Php239 million due mainly to the recognition of the fair value gain arising from the re-appraisal of the Initial Properties pursuant to the requirements under the REIT Law and the Revised REIT IRR.

In December 2021, the Company also acquired four prime office assets from Megaworld for a consideration amounting to Php9,116 million, namely World Finance Plaza in McKinley Hill, Two Techno Place, Three Techno Place, and One Global Center in Iloilo Business Park.

#### **Financial Condition**

The Company maintains a prudent financial policy and has a healthy balance sheet to support its financial and operational requirements. As of December 31, 2021, the Company's total assets stand at Php60.9 billion, a 17% increase from the previous period.

The Company's total current assets now stand Php1,493 million compared to Php2,319 million in June 30, 2021. The change was driven by the utilization of the Company's cash balance to partially fund its acquisition of the four office assets in December 2021 to improve the Company's productive use of its resources.

Interest bearing loans, net of capitalized transaction costs, now stand at Php7,196 million as of December 31, 2021, arising from the term loan secured from a local bank to partially finance the acquisition of the four office assets.

The top five (5) key performance indicators of the Company are shown below:

|                                       | December 31, 2021 | June 30, 2021 |
|---------------------------------------|-------------------|---------------|
| Current Ratio <sup>1</sup>            | 3.43              | 9.51          |
| Debt to Equity Ratio <sup>2</sup>     | 0.14              | -             |
| Net Debt to Equity Ratio <sup>3</sup> | 0.11              | -             |
| Return on Assets <sup>4</sup>         | 3.57%             | 1.26%         |
| Return on Equity <sup>5</sup>         | 3.91%             | 1.28%         |

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no significant element of income arising from continuing operations.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

## Material Changes in the Year 2021 Financial Statements

*(Increase/decrease of 5% or more versus June 30, 2021)*

### Statement of Financial Position

| Item                        | Change           | Causes  |
|-----------------------------|------------------|---|
| Cash and cash equivalent    | -42%             | Decrease due to the utilization of the Company's cash balance to partially fund its acquisition of the four office assets in December 2021  |
| Other current assets        | 5,867%           | Increase in creditable withholding taxes and prepaid expenses   |
| Trade and other receivables | 569%             | Increase due to a combination of increase in accrued receivables arising from straight-line method recognition of rental income and increase in billed receivables which are generally collectible on a 30-day term |
| Investment properties       | 20%              | Increase due to the acquisition of the four office assets in December 2021 and increase in value from the re-appraisal of assets  |
| Accounts and other payables | 170%             | Increase due to the commencement of Fund Manager and Property Manager services whose fees are payable annually and quarterly respectively   |
| Interest bearing loans      | N/A <sup>2</sup> | Increase due to the interest-bearing loan secured from a local bank to partially finance the acquisition of the four office assets  |

<sup>2</sup> The loan taken out by the Company in December 2021 is the first interest-bearing loan of the Company.

| Item                           | Change | Causes  |
|--------------------------------|--------|---|
| Deposits and other liabilities | 47%    | Increase due to assumption of security deposit and advance rent arising from the assignment of leases from the acquisition in December 2021 |
| Deferred tax liabilities       | -100%  | Reversal of deferred tax liabilities  |

#### *Statement of Income*

The Company started operating its investment properties and earning therefrom beginning only in June 2021. Thus, the Company's statement of income as of 31 December 2021 is not comparable with the statement of income as of 30 June 2021. The Company shall provide a statement of Material Changes for the items in the statement of income in the succeeding financial reports.

#### **External Audit Fees and Services**

The external auditors of the Company billed the amounts of Php968,000 for the year ended 31 December 2022, Php627,000 for the 6-month period ending 31 December 2021, and Php444,500 for the 6-month period ending 30 June 2021, in fees for professional services rendered for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2022 and 2021. The external auditors also billed the Company the amount of Php440,000 for services related to the property-for-shares swap transaction between the Company and Megaworld Corporation in April 2022.

Except as disclosed above, no other services were rendered or fees billed by the external auditors of the Company for the years 2022 and 2021.

The Board of Directors, after consultation with the Audit Committee, recommends to the stockholders the engagement of the external auditors of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

#### **ITEM 7. FINANCIAL STATEMENTS**

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

#### **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company.

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER**

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 27 May 2022, 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 December 2022.

| <b>Name</b>                  | <b>Age</b> | <b>Citizenship</b> | <b>Position</b>             |
|------------------------------|------------|--------------------|-----------------------------|
| Francisco C. Canuto          | 65         | Filipino           | Director and Chairman       |
| Kevin Andrew L. Tan          | 43         | Filipino           | Director, President and CEO |
| Katherine L. Tan             | 71         | Filipino           | Director                    |
| Lourdes T. Gutierrez-Alfonso | 59         | Filipino           | Director                    |
| Antonio E. Llantada, Jr.     | 67         | Filipino           | Independent Director        |
| Jesus B. Varela              | 66         | Filipino           | Independent Director        |
| Sergio R. Ortiz-Luis, Jr.    | 79         | Filipino           | Independent Director        |

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of 31 December 2022.

| <b>Name</b>                     | <b>Age</b> | <b>Citizenship</b> | <b>Position</b>            |
|---------------------------------|------------|--------------------|----------------------------|
| Giovanni C. Ng                  | 48         | Filipino           | Treasurer                  |
| Englebert G. Teh                | 31         | Chinese            | Chief Financial Officer    |
| Maria Carla T. Uykim            | 46         | Filipino           | Corporate Secretary        |
| Cheryll B. Sereno <sup>3</sup>  | 42         | Filipino           | Compliance Officer and DPO |
| Caroline Kabigting <sup>4</sup> | 62         | Filipino           | Investor Relations Officer |

### **Francisco C. Canuto**

*Chairman of the Board*

Mr. Canuto is a Certified Public Accountant and is currently the Chairman of the Board of Directors. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive of Megaworld Corporation (publicly-listed), 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 Megaworld Group, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

### **Kevin Andrew L. Tan**

*Director, President and Chief Executive Officer*

Mr. Tan is a Director and the President and Chief Executive Officer of the Company. He obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific. He is concurrently Executive Vice President and Chief Strategy Officer of Megaworld

<sup>3</sup> Resigned and replaced effective 3 January 2023.

<sup>4</sup> Replaced as Investor Relations Officer effective 23 March 2023.

Corporation. He previously held the position of Senior Vice President of Megaworld Corporation 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 also the Chief Executive Officer and Vice Chairman of Alliance Global Group, Inc (public-listed). He is also the concurrently a Director of Empire East Land Holdings, Inc., Emperador Inc. and Global-Estate Resorts, Inc. (all publicly-listed companies) 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.

**Katherine L. Tan**

*Director*

Ms. Tan is a Director of the Company. She is concurrently a Director of Megaworld Corporation (publicly-listed) and a Director and Treasurer of Alliance Global Group, Inc. and Emperador Inc. (both publicly-listed). 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. Gutierrez is a Director of the Company. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she is concurrently the Chief Operating Officer of Megaworld Corporation, where she also previously held the position of Senior Executive Vice President for Finance and Administration. Ms. Gutierrez is also the Chairman of the property management company, First Oceanic Property Management, Inc. She serves as Director in numerous affiliate companies including Global-Estate Resorts, Inc. (publicly-listed), 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 also 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. Varela is an Independent Director of the Company and has served as such since April 2021. He concurrently serves as independent director in the boards of Megaworld Corporation (publicly-listed), Global-Estate Resorts, Inc. (publicly-listed), 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.

**Antonio E. Llantada, Jr.**  
*Independent Director*

Mr. Llantada is an Independent Director of the Company and has served as such since May 2021. Mr. Llantada is a certified public accountant by profession. He is concurrently a professor of Accounting and Finance in Enderun Colleges and Thames International Business School, and a guest lecturer in the Asian Institute of Management School of Executive Education and Lifelong Learning. He previously served as the Internal Audit Consultant and Chief Audit Executive of Empire East Land Holdings, Inc. (publicly-listed). He is a member of the Philippine Institute of Certified Public Accountants and Institute of Internal Auditors. Mr. Llantada obtained his Bachelor of Science degree in Accounting and Bachelor of Arts degree in Behavioral Science in De La Salle University of Manila, and his Master's Degree in Business Administration in the Ateneo Graduate School of Business.

**Sergio R. Ortiz-Luis, Jr.**  
*Independent Director*

Mr. Ortiz-Luis is an Independent Director of the Company and has served as such since April 2021. He is concurrently an Independent Director of Alliance Global, Inc. (publicly-listed), and Calapan Ventures, Inc. 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 Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc., and Jolliville Holdings. 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.

**Giovanni C. Ng**  
*Treasurer*

Mr. Ng, is the Treasurer of the Company. He concurrently serves as Senior Vice President and Finance Director of Megaworld Corporation, the Company's Parent and Sponsor (publicly-listed). He also serves as Director of 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**  
*Chief Financial Officer*

Mr. Teh is the Chief Financial Officer of the Company. Mr. Teh also served as the Corporate Planning Officer of MREIT Fund Managers, Inc. and the Assistant Vice President for Business Research and Development under the Office of Corporate Strategy of Megaworld Corporation, the Parent and Sponsor of the Company. His experience includes investment banking in Primeiro Partners, Inc. and business development for San Miguel Holdings Inc. Mr. Teh graduated in Ateneo De Manila University with a degree of BS Management Engineering.

**Maria Carla T. Uykim**  
*Corporate Secretary*

Atty. Uykim is the Corporate Secretary of the Company. She is concurrently the Head of the Corporate Advisory and Compliance of Megaworld Corporation, the Company's Parent and Sponsor, and a member of its Management Executive Committee. 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. Atty. Uykim was previously 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.

**Cheryll B. Sereno<sup>5</sup>**  
*Compliance Officer and Data Privacy Officer*

Ms. Sereno was the Compliance Officer and Data Privacy Officer of the Company. In 2022, she was concurrently the Chief Risk Officer of Megaworld Corporation (publicly-listed), the Company's Parent and Sponsor, and is the Head of the Opportunity and Risk Management Department. Ms. Sereno previously 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.

**Caroline Kabigting<sup>6</sup>**  
*Investor Relations Officer*

Ms. Kabigting was the Investor Relations Officer of the Company. She was concurrently the Vice President for Investor Relations of Alliance Global Group, Inc. (or AGI, publicly-listed), the holding company that directly owns Megaworld Corporation (publicly-listed), MREIT's Parent and Sponsor. Ms. Kabigting has over 30 years' experience in the capital markets sector and a highly rated equity analyst with a wide coverage of sectors in the Philippines, including property, gaming, consumer and conglomerates. Prior to joining AGI, Ms. Kabigting was Director/Equity Analyst for UBS Securities Philippines, Inc. Ms. Kabigting graduated with a degree of Bachelor of Arts in Economics from UP College in Manila and a Master's Degree in Business Administration from De La Salle University.

**Significant Employees**

The business of the Company is not highly dependent on the services of personnel outside of Senior Management and the employees of the Fund Manager and the Property Manager. Nevertheless, the entire workforce is considered significant, and is expected to work together to achieve the Company's goals and objectives.

**Family Relationships**

President and Chief Executive Officer Kevin Andrew L. Tan is the son of Andrew L. Tan, the Chairman and President of Megaworld Corporation (the Company's Parent and Sponsor), and of Katherine L. Tan, Director of the Company and of Megaworld Corporation. Kevin Andrew L. Tan is also the Executive Vice President and Chief Strategy Officer of Megaworld Corporation.

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<sup>5</sup> Resigned from the Company effective 3 January 2023.

<sup>6</sup> Replaced as Investor Relations Officer effective 23 March 2023.

## Involvement in Certain Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to 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 involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission 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, and the judgment has not been reversed, suspended, or vacated.

## ITEM 10. EXECUTIVE COMPENSATION

### Summary Compensation Table

Aggregate compensation paid to the Company's Chief Executive Officer and the four most highly compensated executive officers as a group for the last two fiscal years and the estimate for the ensuing year are as follows:

| Name and Principal Position                      | Year                     | Salary   | Other Variable Pay | Total Annual Compensation |
|--|--------------------------|----------|--------------------|---------------------------|
| Kevin Andrew L. Tan<br>President and CEO         |                          |          |                    |                           |
| Giovanni C. Ng<br>Treasurer                      |                          |          |                    |                           |
| Maria Carla T. Uykim<br>Corporate Secretary      |                          |          |                    |                           |
| Englebert G. Teh<br>Chief Financial Officer      |                          |          |                    |                           |
| Cheryll B. Sereno<br>Compliance Officer and DPO  |                          |          |                    |                           |
| President and 4 Most Highly Compensated Officers | Actual 2021 <sup>7</sup> | Php5.20m | Php1.075m          | P6.275m                   |
|  | Actual 2022              | Php7.3m  | Php1.53m           | Php8.96                   |

<sup>7</sup> Officers' compensation for 6 months (from July to December 2021).

|   |                          |          |          |          |
|---|--------------------------|----------|----------|----------|
|   | Projected 2023           | Php7.8m  | Php1.6m  | Php9.4m  |
| All Other Officers and Directors as a Group | Actual 2021 <sup>8</sup> | Php1.75m | Php0.37m | Php2.12m |
|   | Actual 2022              | Php2.51m | Php0.53m | Php3.04m |
|   | Projected 2023           | Php2.6m  | Php0.56  | Php3.16  |

### Compensation of Directors

The Company's By-Laws stipulates that the total yearly compensation of all directors and principal officers of the Corporation shall not exceed 10% of the net income before tax of the Corporation for the preceding year. In the last two reporting periods, directors received per diem only from the Company.

For 2023, the Company has allocated Php700,000 for directors' per diem. There are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2022 for any service provided as a director.

| Name of Directors                | Year              | Salary   | Total Annual Director's Per Diem |
|----------------------------------|-------------------|----------|----------------------------------|
| Francisco C. Canuto              |                   | Per diem |                                  |
| Kevin Andrew L. Tan              |                   | Per diem |                                  |
| Katherine L. Tan                 |                   | Per diem |                                  |
| Lourdes T. Gutierrez-Alfonso     |                   | Per diem |                                  |
| Antonio E. Llantada, Jr.         |                   | Per diem |                                  |
| Jesus B. Varela                  |                   | Per diem |                                  |
| Sergio R. Ortiz-Luis, Jr.        |                   | Per diem |                                  |
| Total Annual Director's Per Diem | 2021 <sup>9</sup> |          | n/a                              |
|                                  | 2022              |          | 700,000                          |
|                                  | 2023              |          | 700,000                          |

### Employment Contracts and Termination of Employment and Change-in-Control Arrangement

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

### Options Outstanding

There are no outstanding warrants or options in connection with the shares of the Company held by any of the directors or executive officers.

<sup>8</sup> Officers' compensation for 6 months (from July to December 2021).

<sup>9</sup> Directors' per diem for 6 months (from July to December 2021).

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares as of 31 December 2022

| Title of Class | Name, address of Record Owner and Relationship with Issuer   | Name of Beneficial Owner and Relationship with Record Owner                    | Citizenship | No. of Shares Held | Percent of Class |
|----------------|--|--|-------------|--------------------|------------------|
| Common         | Megaworld Corporation<br><br>30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634<br><br>Parent/Sponsor | Megaworld Corporation <sup>10</sup>  | Filipino    | 1,572,282,881      | 62.09%           |
| Common         | PCD Nominee Corp. (Filipino)<br><br>G/F MKSE Bldg., 6767 Ayala Ave., Makati  | Participants of the PCD composed of custodian banks and brokers. <sup>11</sup> | Filipino    | 921,466,148        | 36.39%           |

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's voting stock known to the Company.

### Security Ownership of Management as of 31 December 2022

| Title of Class<br>Name of Beneficial Owner |  | Amount and<br>Nature of<br>Beneficial<br>Ownership* | Citizenship | Percent<br>of Class |
|--|--|---|-------------|---------------------|
| Directors/Nominees                         |  |   |             |                     |
| Common                                     | Francisco C. Canuto <sup>12</sup>          | 1,000 (Direct)                                      | Filipino    | 0.0000%             |
| Common                                     | Kevin Andrew L. Tan <sup>13</sup>          | 9,995,000 (Direct)                                  | Filipino    | 0.3900%             |
| Common                                     | Katherine L. Tan                           | 1,000 (Direct)                                      | Filipino    | 0.0000%             |
| Common                                     | Lourdes T. Gutierrez-Alfonso <sup>14</sup> | 1,000 (Direct)                                      | Filipino    | 0.0000%             |
| Common                                     | Antonio E. Llantada, Jr.                   | 1,000 (Direct)                                      | Filipino    | 0.0000%             |
| Common                                     | Jesus B. Varela                            | 1,000 (Direct)                                      | Filipino    | 0.0000%             |
| Common                                     | Sergio R. Ortiz-Luis, Jr.                  | 1,000 (Direct)                                      | Filipino    | 0.0000%             |
| CEO and Most Highly Compensated Officers   |  |   |             |                     |
| Common                                     | Kevin Andrew L. Tan                        | Same as above                                       |             |                     |
| Common                                     | Giovanni C. Ng                             | 0   | Filipino    | n/a                 |
| Common                                     | Maria Carla T. Uykim                       | 0   | Filipino    | n/a                 |
| Common                                     | Englebert G. Teh                           | 0   | Chinese     | n/a                 |
| Common                                     | Cheryll B. Sereno                          | 0   | Filipino    | n/a                 |

<sup>10</sup> The Board of Directors of Megaworld Corporation ("Megaworld") has voting and investment power over shares of stock held by Megaworld in the Company.

<sup>11</sup> Among the PCD participants, BANCO DE ORO - Trust Banking Group owns 166,676,100 representing 6.58% of the Company's outstanding capital stock.

<sup>12</sup> Shares are lodged with PCD Nominee Corporation.

<sup>13</sup> Shares are lodged with PCD Nominee Corporation.

<sup>14</sup> Shares are lodged with PCD Nominee Corporation.

| Title of Class<br>Name of Beneficial Owner |                                  | Amount and<br>Nature of<br>Beneficial<br>Ownership* | Citizenship | Percent<br>of Class |
|--|----------------------------------|---|-------------|---------------------|
| <b>Other Executive Officers</b>            |                                  |   |             |                     |
| Common                                     | Caroline Kabigting <sup>15</sup> | 0   | Filipino    | n/a                 |

### Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

### Changes in Control

On 1 February 2021, Megaworld 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, Megaworld acquired 99.20% direct ownership of the Company's total issued and outstanding capital stock.

On 7 April 2021, the Company approved the amendment of its Articles of Incorporation to change the 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.

On 7 April 2021, the Company also approved the Property-for-Share Swap transaction with Megaworld in which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in ten (10) mixed-use buildings, 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. The SEC certified the approval of the valuation of the Property-for-Share Swap on June 1, 2021; hence, the issuance of additional common shares to Megaworld was consummated. Accordingly, Megaworld's direct ownership interest increased to 99.61% of the total issued and outstanding capital stock of the Company.

On 1 October 2021, upon the Company's listing in the PSE, Megaworld sold 949,837,500 of its shares in the Company to the public. As a result, Megaworld became the 62.09% owner of the Company, while 37.51% of the Company's shares are held by the public. The remaining shares are held by the Company's directors.

On 1 April 2022, the Company approved the Property-for-Share Swap transaction with Megaworld pursuant to which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in four (4) Grade A buildings located in PEZA-registered Zones in exchange for 263,700,000 common shares of the Company, with a par value of P1 per share and APIC of P5,010,300,000.00, or for a total subscription price of P5,274,000,000.00. On 23 March 2023, the SEC approved the valuation of the Property-for-Share Swap, which resulted in the issuance of 263,700,000 additional common shares to Megaworld. This issuance increased Megaworld's interest in the Company to 65.67% as of 31 March 2023, while the shares held by the public are at 33.97%. The remaining shares are held by the Company's directors.

### Foreign Ownership

As of 31 December 2022, 38,339,352 common shares, or 1.51% of the Company's outstanding capital stock, are owned by foreigners. The Company's foreign ownership limit is 40%.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company, in the ordinary course of business, engages in transactions with its Parent and affiliates. On 25 June 2021, the Company adopted a Related Party Transaction Policy to ensure that related party transactions are entered into terms comparable to those available to unrelated third parties in similar

<sup>15</sup> Appointed as Officer in July 2022, in place of Dave Valeriano.



transactions. The Company has also established a Related Party Transaction Committee composed of three members of the board, two of whom are independent, including the Chairman.

Transactions with related parties include asset acquisitions from, and land leases with, Megaworld Corporation (the Company's Parent and Sponsor), and fund and property management agreements with affiliates. The table below sets out the principal transactions of the Company with related parties as of December 31, 2022:

| Year          | Related Parties  | Nature of the Transaction   | Value of the Transaction  |
|---------------|--|---|---|
| 2022          | Megaworld Corporation  | Acquisition of four buildings owned by Megaworld in exchange for shares of stock in the Company <sup>16</sup> | The four properties, which were valued by an independent property, were transferred to the Company in exchange for 263,700,000 common shares for a total subscription price of Php5,274,000,000.00, with a resulting additional paid-in capital of Php5,010,300,000.00    |
| 2021          | Megaworld Corporation (and Empire East Land Holdings, Inc. in respect of certain properties) | Acquisition of ten buildings owned by Megaworld in exchange for shares of stock in the Company                | The ten properties, which were valued by an independent property, were transferred to the Company in exchange for 1,282,120,381 common shares for a total subscription price of Php49,202,407,620.00, with a resulting additional paid-in capital of Php47,920,287,239.00 |
| 2021          | Megaworld Corporation  | Acquisition of four buildings owned by Megaworld for cash   | The four properties were acquired by the Company for cash in the amount of Php9,116,000,000.00  |
| 2021 and 2022 | Megaworld Corporation (and Empire East Land Holdings, Inc. in respect of certain properties) | Lease of various lands where the buildings acquired from Megaworld are located <sup>17</sup>                  | From 1 July 2023, rent equivalent to, as applicable:<br>a. 2.5% of the Company's gross rental income for office and retail properties; and<br>b. 1.5% of the Company's hotel rental/revenues for hotel properties.  |

<sup>16</sup> This transaction was consummated in 2023 upon the SEC's approval of the valuation of the properties transferred to the Company.

<sup>17</sup> These leases pertain to the various parcels of land where the buildings acquired from Megaworld in the property-for-share swap transactions and cash acquisition transactions are located.

|      |                               |   |   |
|------|-------------------------------|---|---|
|      |                               |   | From 01 July 2025 onwards, rent equivalent to, as applicable:   |
|      |                               |   | a. 5% of the Company's gross rental income for office and retail properties; and  |
|      |                               |   | b. 3% of the Company's hotel rental/revenues for hotel properties.  |
| 2021 | MREIT Fund Managers, Inc.     | Fund management agreement for the management of the Company's funds and assets                            | Fund management fee equivalent to 3.5% of the Company's gross revenues, payable annually, not to exceed 1% of the net asset value of the properties under management    |
| 2021 | MREIT Property Managers, Inc. | Property management agreement for the operation and management of the Company's properties and facilities | Property management fee equivalent to 2% of the Company's gross revenues, payable quarterly, not to exceed 1% of the net asset value of the properties under management |

Other than the foregoing and those disclosed in the Company's Financial Statements, the Company has not entered into any other related party transactions. (For more information, see Exhibit 1 – Audited Financial Statements)

## **PART IV – CORPORATE GOVERNANCE**

### **Evaluation System**

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

### **Deviations from Manual and Sanctions Imposed**

In 2022, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions. No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company's Manual on Corporate Governance.

### **Plan to Improve Corporate Governance**

The Company adopted a Manual of Corporate Governance that is compliant with SEC Memorandum Circular No. 19, Series of 2016. The Company will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

## PART V – EXHIBITS AND SCHEDULES

### Exhibits

| Exhibit No. | Description of Exhibit                               |
|-------------|--|
| 1           | Audited Financial Statements as of December 31, 2022 |
| 2           | Sustainability Report for 2022                       |

### Reports on SEC Form 17-C

The Company filed the following reports on SEC Form 17-C during the year ended 31 December 2022:

| Date             | Disclosures   |
|------------------|---|
| 27 January 2022  | Press Release: MREIT to acquire up to P20-B worth of office assets this year  |
| 24 February 2022 | Notice of Analysts' Briefing for the year 2021  |
| 04 March 2022    | Cash Dividend Declaration for the quarter ending 31 December 2021   |
| 04 March 2022    | Material Information/Transactions: MREIT, Inc.'s Audited Financial Statements for the year ended 31 December 2021   |
| 07 March 2022    | Press Release: MREIT Nets P2-Billion in First Six Months of Operation   |
| 09 March 2022    | Change in Directors and/or Officers: Resignation of Atty. Vladimir B. Bumatay as Assistant Corporate Secretary  |
| 11 March 2022    | Amended Reinvestment Plan of MREIT, Inc.'s Parent and Sponsor, Megaworld Corporation  |
| 17 March 2022    | Amended Reinvestment Plan for the Initial Public Offering (IPO) of MREIT, Inc.'s shares   |
| 17 March 2022    | Amended Reinvestment Plan for the December 20, 2021 sale of four properties to MREIT, Inc.  |
| 17 March 2022    | Clarification on the Reinvestment Plan Progress Report for the 4 <sup>th</sup> quarter of 2021  |
| 01 April 2022    | Material Information/Transactions: Resolutions approved in the special meeting of the Board of Directors of MREIT, Inc. on 1 April 2022   |
| 01 April 2022    | Acquisition of for four (4) Grade A buildings located in PEZA-registered Zones, namely: Two Global Center and Festive Walk 1B, which are located in Iloilo Business Park, and One West Campus and of Five West Campus, which are located in McKinley Hill in Fort Bonifacio, Taguig |
| 01 April 2022    | Press Release: MREIT Ramps up Assets with Acquisition of P5.3-B Office Towers   |
| 01 April 2022    | Notice of Annual Stockholders' Meeting for 2022   |
| 05 April 2022    | The Philippine Stock Exchange's request for explanation dated 29 March 2022, with the subject "Selective Disclosure of Material Information"  |
| 22 April 2022    | Declaration of Cash Dividend for the quarter ending 31 March 2022   |
| 22 April 2022    | Press Release: MREIT Declares First Tranche of Quarterly Dividends for 2022   |
| 02 May 2022      | Notice of Analysts' Briefing for the first quarter of 2022  |
| 02 May 2022      | Press Release: MREIT's Distributable Income up by 18% QoQ to P639-Million in 1Q2022   |
| 27 May 2022      | Results of Annual Stockholders' Meeting   |
| 27 May 2022      | Results of Organizational Meeting   |
| 27 May 2022      | Press Release: MREIT Eyeing Fresh P15-Billion Property Infusion   |
| 17 June 2022     | Press Release: Two MREIT Properties Hailed as First-Ever "Immune-Certified" Building in Asia  |
| 05 August 2022   | Declaration of Cash Dividend for the quarter ending 30 June 2022  |
| 05 August 2022   | Notice of Analysts' Briefing  |
| 05 August 2022   | Press Release: MREIT Records P638-Million Distributable Income in 2Q2022  |
| 22 August 2022   | Clarification of the News Article posted in <a href="http://www.manilastandard.net">www.manilastandard.net</a>  |
| 11 November 2022 | Cash Dividend Declaration for the quarter ending 30 September 2022  |
| 11 November 2022 | Press Release: MREIT Records P1.9-Billion Distributable Income in 9M2022  |
| 28 December 2022 | Three-Year Investment Strategy of MREIT, Inc.   |

## SIGNATURES

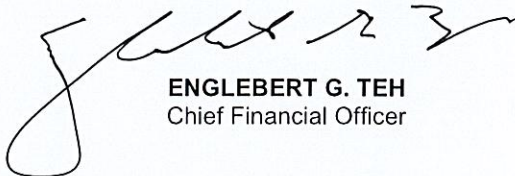
Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Taguig City, on 17 April 2023.

MREIT, Inc.  
Company

By:

  
**KEVIN ANDREW L. TAN**  
President and Chief Executive Officer

  
**GIOVANNI C. NG**  
Treasurer

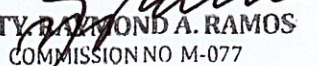
  
**ENGLEBERT G. TEH**  
Chief Financial Officer

  
**MARIA CARLA T. UYKIM**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 17 APR 2023 day of 20 affiant(s) exhibiting to me his/their Tax Identification Numbers, as follows:

| Name                 | TIN No.     |
|----------------------|-------------|
| Kevin Andrew L. Tan  | 224-803-734 |
| Giovanni C. Ng       | 164-662-351 |
| Englebert G. Teh     | 422-006-274 |
| Maria Carla T. Uykim | 159-353-280 |

Doc. No. 429  
Page No. 87  
Book No. 230  
Series of 2023.

  
**ATTY. RAYMOND A. RAMOS**  
COMMISSION NO M-077  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2024  
5 KALAYAAN AVENUE EXTENSION  
BARANGAY WEST REMBO 1215 MAKATI CITY  
SC Roll No 62179/04-26-2013  
IBP NO 258534/01-02-2023/Pasig City  
PTR NO. MKT 9562350/01 03 2023/Makati City  
MCLE Compliance No. VII 0020180/04-14-2025



## SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines  
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



**The following document has been received:**

**Receiving:** Jyrod Genova

**Receipt Date and Time:** April 17, 2023 04:27:25 PM

### Company Information

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**SEC Registration No.:** CS202052294

**Company Name:** MEGAWORLD HOLDINGS, INC.

**Industry Classification:** K64200

**Company Type:** Stock Corporation

### Document Information

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**Document ID:** OST10417202381018083

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2022

**Submission Type:** Annual

**Remarks:** None

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Acceptance of this document is subject to review of forms and contents

# COVER SHEET

for

# AUDITED FINANCIAL STATEMENTS

SEC Registration Number

|   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
| C | S | 2 | 0 | 2 | 0 | 5 | 2 | 2 | 9 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|

## Company Name

[illegible]

## Principal Office (No./Street/Barangay/City/Town/Province)

[illegible]

## FORM TYPE

|   |   |   |  |
|---|---|---|--|
| A | F | S |  |
|---|---|---|--|

## DEPARTMENT REQUIRING THE REPORT

|   |   |   |   |
|---|---|---|---|
| C | R | M | D |
|---|---|---|---|

**SECONDARY LICENSE TYPE. IF APPLICABLE**

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

## COMPANY INFORMATION

| COMPANY INFORMATION     |                            |                         |
|-------------------------|----------------------------|-------------------------|
| COMPANY EMAIL ADDRESS   | COMPANY'S TELEPHONE NUMBER | MOBILE NUMBER           |
| COMPLIANCE@MREIT.COM.PH | (632) 8894-6400            | (0917) 8788206          |
| NO. OF STOCKHOLDERS     | ANNUAL MEETING (MONTH/DAY) | FISCAL YEAR (MONTH/DAY) |
| 12                      | JUNE 02                    | DECEMBER 31             |

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

| NAME OF CONTACT PERSON                | EMAIL ADDRESS           | TELEPHONE NO.   | MOBILE NUMBER  |
|---------------------------------------|-------------------------|-----------------|----------------|
| ATTY. KARREN MAE C. DE CHAVEZ-REODICA | COMPLIANCE@MREIT.COM.PH | (632) 8857-9856 | (0917) 7062397 |

**CONTACT PERSON'S ADDRESS**

| CONTACT PERSON'S ADDRESS   |
|--|
| 30TH FLOOR, ALLIANCE GLOBAL TOWER, 36TH STREET CORNER 11TH AVENUE, UPTOWN BONIFACIO, TAGUIG CITY 1634, PHILIPPINES |

**Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.**

**Note 2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.**



---

## Your BIR AFS eSubmission uploads were received

---

eafs@bir.gov.ph <eafs@bir.gov.ph>  
To: MEGAWORLHDHOLDINGSINC@gmail.com  
Cc: MEGAWORLHDHOLDINGSINC@gmail.com

Mon, Apr 17, 2023 at 3:40 PM

Hi MREIT, INC.,

### Valid files

- EAFS502228971OTHTY122022.pdf
- EAFS502228971RPPTY122022.pdf
- EAFS502228971ITRTY122022.pdf
- EAFS502228971AFSTY122022.pdf
- EAFS502228971TCRTY122022-01.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-6JJKJCG03VNVM2XQZPYYZ1S0CFLJ87HF**  
Submission Date/Time: **Apr 17, 2023 03:40 PM**  
Company TIN: **502-228-971**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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18<sup>th</sup> Floor Alliance Global Tower 36<sup>th</sup> St. cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

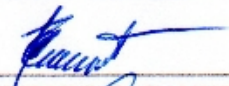
The management of **MREIT, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and 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.

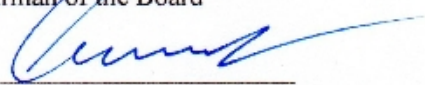
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

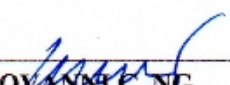
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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, has 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 27th day of February 2023




18<sup>th</sup> Floor Alliance Global Tower 36<sup>th</sup> St. cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City

SUBSCRIBED AND SWORN to before me this 27 FEB 2023 day of \_\_\_\_\_ at  
MAKATI CITY, Philippines, affiants exhibiting to me their Tax Identification Nos. as follows:

|                    |                 |
|--------------------|-----------------|
| Franciso C. Canuto | 102-956-483-000 |
| Kevin Andrew Tan   | 224-803-734-000 |
| Giovanni C. Ng     | 164-662-351-000 |

Doc. No. 325 ;  
Page No. 66 ;  
Book No. 256 ;  
Series of 2023

  
ATTY. **RAYMOND A. RAMOS**  
COMMISSION NO M-077  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2024  
5 KALAYAAN AVENUE EXTENSION  
BARANGAY WEST REMBO 1215 MAKATI CITY  
SC Roll No 62179/04-26-2015  
IBP NO 258534/01-02-2023/Pasig City  
PTR NO. MKT 9562350/01 03 2023/Makati City  
MCLE Compliance No. VII 0020180/04-14-2025

Financial Statements and  
Independent Auditors' Report

**MREIT, Inc.**

For the Year Ended December 31, 2022 and  
Six Months Ended December 31, 2021 and June 30, 2021

## Report of Independent Auditors

**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors****MREIT, Inc.**

*(A Subsidiary of Megaworld Corporation)*

18th Floor, Alliance Global Tower  
36th Street cor. 11th Avenue  
Uptown Bonifacio, Taguig City

***Report on the Audit of Financial Statements******Opinion***

We have audited the financial statements of MREIT, Inc. (the Company), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2022 and the six months ended December 31, 2021 and June 30, 2021, and the 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, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and the six months ended December 31, 2021 and June 30, 2021, 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 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 audits 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.

***Emphasis of Matter***

As more fully described on Note 1 to the financial statements, the Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. Subsequently, the Company applied with the SEC in October 2021 for the amendments in its By-laws for a change in its reporting period from fiscal year beginning July 1 and ending June 30 to calendar year beginning January 1 and ending December 31, and such amendment was approved by the SEC and Bureau of Internal Revenue (BIR) on November 4, 2021 and November 25, 2021, respectively.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***Valuation of Investment Properties******Description of the Matter***

The fair value of investment properties was determined by an independent appraiser using the income approach. Under the income approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with a particular investment. The total fair value of investment properties as of December 31, 2022 is P56.4 billion, which represents 96% of the total assets of the Company. The valuation of investment properties is significant to our audit because of the significance of the amount to the financial statements and because the measurement involves application of significant judgments and estimates.

The Company's policy on measurement of investment properties is more fully described in Note 2 to the financial statements. The significant judgments applied and estimates used in measuring fair value are more fully described in Note 3 to the financial statements, while the valuation approach used is fully described in Note 21 to the financial statements.

***How the Matter was Addressed in the Audit***

We have evaluated the independence and competence of the independent appraisers by obtaining an understanding of their qualifications, experience and track record. We have also involved our internal valuation specialists in evaluating the accuracy of the valuation model and the reasonableness of key assumptions used, such as discount rates and growth rates. We have also tested key inputs used such as lease rates and lease terms, on a sample basis, by agreeing it to supporting lease contracts.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Company's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the period ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

***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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

***Report on Other Legal and Regulatory Requirements***

The supplementary information for the year ended December 31, 2022 required by the 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 SEC. 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.

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. 9566641, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

**MREIT, INC.**  
**(A Subsidiary of Megaworld Corporation)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**  
**(Amounts in Philippine Pesos)**

|                                      | <u>Notes</u> | <u>2022</u>                    | <u>2021</u>                    |
|--------------------------------------|--------------|--------------------------------|--------------------------------|
| <b><u>A S S E T S</u></b>            |              |                                |                                |
| <b>CURRENT ASSETS</b>                |              |                                |                                |
| Cash and cash equivalents            | 4            | P 1,380,526,060                | P 1,333,805,607                |
| Trade and other receivables          | 5            | 263,951,215                    | 88,118,786                     |
| Other current assets                 | 7            | 268,309,116                    | 71,262,351                     |
| Total Current Assets                 |              | <u>1,912,786,391</u>           | <u>1,493,186,744</u>           |
| <b>NON-CURRENT ASSETS</b>            |              |                                |                                |
| Trade receivables                    | 5            | 45,889,816                     | 56,558,890                     |
| Investment properties                | 6            | 56,439,000,000                 | 59,261,000,000                 |
| Other non-current assets             | 7            | 92,640,614                     | 54,441,929                     |
| Total Non-current Assets             |              | <u>56,577,530,430</u>          | <u>59,372,000,819</u>          |
| <b>TOTAL ASSETS</b>                  |              | <u><b>P 58,490,316,821</b></u> | <u><b>P 60,865,187,563</b></u> |
| <b><u>LIABILITIES AND EQUITY</u></b> |              |                                |                                |
| <b>CURRENT LIABILITIES</b>           |              |                                |                                |
| Accounts and other payables          | 8            | P 493,988,323                  | P 172,191,343                  |
| Deposits and other liabilities       | 9            | 266,074,302                    | 263,008,802                    |
| Total Current Liabilities            |              | <u>760,062,625</u>             | <u>435,200,145</u>             |
| <b>NON-CURRENT LIABILITIES</b>       |              |                                |                                |
| Interest-bearing loan                | 10           | 7,201,241,354                  | 7,195,789,259                  |
| Deposits and other liabilities       | 9            | 1,010,783,749                  | 1,072,876,081                  |
| Total Non-current liabilities        |              | <u>8,212,025,103</u>           | <u>8,268,665,340</u>           |
| Total Liabilities                    |              | <u>8,972,087,728</u>           | <u>8,703,865,485</u>           |
| <b>EQUITY</b>                        |              |                                |                                |
| Capital stock                        | 16           | 2,532,121,381                  | 2,532,121,381                  |
| Additional paid-in capital           | 16           | 47,907,466,035                 | 47,907,466,035                 |
| Retained earnings (deficit)          |              | ( 921,358,323 )                | 1,721,734,662                  |
| Total Equity                         |              | <u>49,518,229,093</u>          | <u>52,161,322,078</u>          |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |              | <u><b>P 58,490,316,821</b></u> | <u><b>P 60,865,187,563</b></u> |

*See Notes to Financial Statements.*



**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**AND SIX MONTHS ENDED DECEMBER 31, 2021 AND JUNE 30, 2021\***  
*(Amounts in Philippine Pesos)*

|  | Notes | December 31, 2022<br>(One Year) | December 31, 2021<br>(Six Months) | June 30, 2021<br>(Six Months) |
|--|-------|---------------------------------|-----------------------------------|-------------------------------|
| <b>REVENUES</b>  |       |                                 |                                   |                               |
| Rental income  | 11    | P 2,917,785,685                 | P 1,197,497,661                   | P 195,044,232                 |
| Income from dues - net                                 | 2     | <u>730,981,573</u>              | <u>263,215,987</u>                | <u>32,151,176</u>             |
|  |       | 3,648,767,258                   | 1,460,713,648                     | 227,195,408                   |
| <b>COST OF SERVICES</b>                                | 12    | <u>676,211,193</u>              | <u>222,987,792</u>                | <u>20,469,415</u>             |
| <b>GROSS PROFIT</b>                                    |       | 2,972,556,065                   | 1,237,725,856                     | 206,725,993                   |
| <b>OTHER OPERATING EXPENSES</b>                        | 13    | <u>37,400,283</u>               | <u>9,630,912</u>                  | <u>18,761,149</u>             |
| <b>OPERATING PROFIT</b>                                |       | <u>2,935,155,782</u>            | <u>1,228,094,944</u>              | <u>187,964,844</u>            |
| <b>OTHER INCOME (CHARGES)</b>                          |       |                                 |                                   |                               |
| Fair value gains (losses) on investment properties     | 6     | ( 2,822,000,000 )               | 702,000,000                       | 240,592,380                   |
| Interest expense                                       | 9, 10 | ( 309,090,834 )                 | ( 23,833,140 )                    | ( 2,403,391 )                 |
| Interest income  | 4, 7  | 23,042,323                      | 8,374,430                         | 637,045                       |
| Miscellaneous income                                   |       | <u>688,017</u>                  | <u>-</u>                          | <u>-</u>                      |
|  |       | ( 3,107,360,494 )               | 686,541,290                       | 238,826,034                   |
| <b>PROFIT (LOSS) BEFORE TAX</b>                        |       | ( 172,204,712 )                 | 1,914,636,234                     | 426,790,878                   |
| <b>TAX INCOME (EXPENSE)</b>                            | 14    | ( 4,348,835 )                   | 99,579,952                        | ( 101,284,451 )               |
| <b>NET PROFIT (LOSS)</b>                               |       | ( 176,553,547 )                 | 2,014,216,186                     | 325,506,427                   |
| <b>OTHER COMPREHENSIVE INCOME</b>                      |       | <u>-</u>                        | <u>-</u>                          | <u>-</u>                      |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>               |       | ( P 176,553,547 )               | P 2,014,216,186                   | P 325,506,427                 |
| <b>BASIC AND DILUTED EARNINGS<br/>(LOSS) PER SHARE</b> | 17    | ( P 0.07 )                      | P 0.80                            | P 0.13                        |

\* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021. See Note 1 for the description of the change in accounting period.

*See Notes to Financial Statements.*

MREIT, INC.  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**AND SIX MONTHS ENDED DECEMBER 31, 2021 AND JUNE 30, 2021\***  
*(Amounts in Philippine Pesos)*

|                                      | Notes | December 31, 2022<br>(One Year) | December 31, 2021<br>(Six Months) | June 30, 2021<br>(Six Months)  |
|--------------------------------------|-------|---------------------------------|-----------------------------------|--------------------------------|
| <b>CAPITAL STOCK</b>                 |       |                                 |                                   |                                |
| Balance at beginning of period       |       | P 2,532,121,381                 | P 2,532,121,381                   | P 10,000,000                   |
| Issuance of shares during the period | 16    | <u>-</u>                        | <u>-</u>                          | <u>2,522,121,381</u>           |
| Balance at end of period             |       | <u>2,532,121,381</u>            | <u>2,532,121,381</u>              | <u>2,532,121,381</u>           |
| <b>ADDITIONAL PAID-IN CAPITAL</b>    |       |                                 |                                   |                                |
| Balance at beginning of period       |       | 47,907,466,035                  | 47,907,466,035                    | -                              |
| Addition during the period           | 16    | <u>-</u>                        | <u>-</u>                          | <u>47,907,466,035</u>          |
| Balance at end of period             |       | <u>47,907,466,035</u>           | <u>47,907,466,035</u>             | <u>47,907,466,035</u>          |
| <b>RETAINED EARNINGS (DEFICIT)</b>   |       |                                 |                                   |                                |
| Balance at beginning of period       |       | 1,721,734,662                   | 315,227,607                       | ( 10,278,820 )                 |
| Net profit (loss) during the period  |       | ( 176,553,547 )                 | 2,014,216,186                     | 325,506,427                    |
| Dividends declared during the period | 16    | ( <u>2,466,539,438</u> )        | ( <u>607,709,131</u> )            | <u>-</u>                       |
| Balance at end of period             |       | ( <u>921,358,323</u> )          | <u>1,721,734,662</u>              | <u>315,227,607</u>             |
| <b>TOTAL EQUITY</b>                  |       | <b>P <u>49,518,229,093</u></b>  | <b>P <u>52,161,322,078</u></b>    | <b>P <u>50,754,815,023</u></b> |

\* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021. See Note 1 for the description of the change in accounting period.

*See Notes to Financial Statements.*

MREIT, INC.  
*(A Subsidiary of Megaworld Corporation)*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**AND SIX MONTHS ENDED DECEMBER 31, 2021 AND JUNE 30, 2021\***  
*(Amounts in Philippine Pesos)*

|   | Notes | December 31, 2022<br>(One Year) | December 31, 2021<br>(Six Months) | June 30, 2021<br>(Six Months) |
|---|-------|---------------------------------|-----------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |       |                                 |                                   |                               |
| Profit (loss) before tax                                      |       | ( P 172,204,712 )               | P 1,914,636,234                   | P 426,790,878                 |
| Adjustments for:  |       |                                 |                                   |                               |
| Fair value losses (gains) on investment properties            | 6     | 2,822,000,000                   | ( 702,000,000 )                   | ( 240,592,380 )               |
| Interest expense  | 9, 10 | 309,090,834                     | 23,833,140                        | 2,403,391                     |
| Interest income   | 4, 7  | ( 23,042,323 )                  | ( 8,374,430 )                     | ( 637,045 )                   |
| Operating profit before working capital changes               |       | 2,935,843,799                   | 1,228,094,944                     | 187,964,844                   |
| Increase in trade and other receivables                       |       | ( 165,624,932 )                 | ( 122,916,877 )                   | ( 21,639,741 )                |
| Increase in other current assets                              |       | ( 197,544,978 )                 | ( 70,068,131 )                    | ( 1,184,980 )                 |
| Decrease (increase) in other non-current assets               |       | ( 37,179,610 )                  | 858,355                           | ( 54,864,716 )                |
| Decrease in due to parent company                             |       | -                               | -                                 | ( 201,820 )                   |
| Increase in accounts and other payables                       |       | 321,796,980                     | 100,316,824                       | 63,793,059                    |
| Increase (decrease) in deposits and other liabilities         |       | ( 95,304,501 )                  | 410,400,646                       | 907,407,184                   |
| Cash generated from operations                                |       | 2,761,986,758                   | 1,546,685,761                     | 1,081,273,830                 |
| Interest received   |       | 22,983,038                      | 7,876,217                         | 578,632                       |
| Income tax paid   |       | ( 4,348,835 )                   | ( 1,588,771 )                     | ( 115,727 )                   |
| Net Cash From Operating Activities                            |       | 2,780,620,961                   | 1,552,973,207                     | 1,081,736,735                 |
| <b>CASH FLOW FROM AN INVESTING ACTIVITY</b>                   |       |                                 |                                   |                               |
| Acquisition of investment properties                          | 6     | -                               | ( 9,116,000,000 )                 | -                             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |       |                                 |                                   |                               |
| Dividends paid  | 16    | ( 2,466,539,438 )               | ( 607,709,131 )                   | -                             |
| Interest paid   | 10    | ( 267,361,070 )                 | -                                 | -                             |
| Proceeds from availment of loan, net of transaction costs     | 10    | -                               | 7,195,625,000                     | -                             |
| Proceeds from issuance of shares, net of shares issuance cost | 16    | -                               | -                                 | 1,227,179,796                 |
| Net Cash From (Used in) Financing Activities                  |       | ( 2,733,900,508 )               | 6,587,915,869                     | 1,227,179,796                 |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   |       | 46,720,453                      | ( 975,110,924 )                   | 2,308,916,531                 |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>       |       | 1,333,805,607                   | 2,308,916,531                     | -                             |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>             |       | P 1,380,526,060                 | P 1,333,805,607                   | P 2,308,916,531               |

\* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021. See Note 1 for the description of the change in accounting period.

**Supplemental Information on Non-cash Investing and Financing Activity —**

In June 2021, the Company and Megaworld Corporation (the Parent Company) entered into a property-for-share swap transaction. Accordingly, the Parent Company transferred certain real properties for lease to the Company amounting to P49,202.4 million. In exchange for the properties transferred, the Company issued 1,282,120,381 common shares with a par value of P1 per share to the Parent Company which resulted in recognition of Capital Stock and Additional Paid-in Capital amounting to P1,282.1 million and P47,920.3 million, respectively (see Note 16).

*See Notes to Financial Statements.*

**MREIT, INC.**  
***(A Subsidiary of Megaworld Corporation)***  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021, AND JUNE 30, 2021**  
***(Amounts in Philippine Pesos)***

**1. GENERAL INFORMATION**

MREIT, 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 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.

The Company is a subsidiary of Megaworld Corporation Inc. (MC) or the Parent Company owning 62.09% of the Company's outstanding capital stock.

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.

On April 7, 2021, majority of the members of the BOD and stockholders of the Company approved the amendments to the Articles of Incorporation and By-Laws of the Company, including the 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. The SEC and the Bureau of Internal Revenue (BIR) approved the amendments to the Company's Articles of Incorporation and By-Laws on May 19, 2021 and May 20, 2021, respectively.

On September 30, 2021, the BOD approved the change in the Company's accounting period to begin on the first day of January and end on the last day of December of each year. The Company applied with the SEC for an amendment of its By-laws in October 2021. The SEC and the BIR approved the change on November 4, 2021 and November 25, 2021, respectively.

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 Company's share of stock are listed and traded in the Philippine Stock Exchange (PSE). MC and AGI are also publicly-listed entities in the Philippines.

The financial statements of the Company as of and for year ended December 31, 2022 (including the comparative financial statements as of and for the six months ended December 31, 2021 and June 30, 2021) were authorized for issue by the Company's BOD on February 27, 2023.

## **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. These policies have been consistently applied to the periods 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.

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 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 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 Adoption of Amended PFRS

### (a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

|  |   |   |
|--|---|---|
| PAS 37 (Amendments)                              | : | Provisions, Contingent Liabilities and<br>Contingent Assets – Onerous<br>Contracts – Cost of Fulfilling a<br>Contract |
| Annual Improvements to<br>PFRS (2018-2020 Cycle) |   |   |
| PFRS 9 (Amendments)                              | : | Financial Instruments – Fees in the<br>'10 per cent' Test for Derecognition<br>of Liabilities                         |
| PFRS 16 (Amendments):                            |   | Leases – Lease Incentives   |

Discussed below are the relevant information about these pronouncements.

- (i) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:
  - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Company*

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

- (i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:
  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
  - PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

### **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.

The Company's financial assets at amortized cost are presented as Cash and Cash Equivalents, Trade and Other Receivables and Security deposit (presented under Other Non-current Assets) in the statement of financial position. Cash and cash equivalents include demand deposits and short-term placements with original maturities of three months or less from the date of acquisition. Demand deposits maintained in a local bank are unrestricted and readily available for use in the Company's operations. Short-term placements include short-term, highly-liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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) *Impairment of Financial Assets*

The Company assesses expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and security deposit. 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 Company uses its historical experience, external indicators, forward-looking information, and other qualitative factors (including possible offsetting) to calculate the ECL using a provision matrix. The Company also assesses impairment of trade and other receivables and security deposit on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

For cash and cash equivalents, the Company applies low credit risk simplification and measures the ECL on the financial assets based on a 12-month ECL basis unless there has been a significant increase in credit risk since origination, in which case, the loss allowance will be based on lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- *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 Company 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 Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for impairment account. Subsequent recoveries of amounts previously written off are credited against the same line item.

*(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 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 Security deposits (presented under Deposits and Other Liabilities), Accounts and Other Payables (except tax-related liabilities), and Interest-bearing Loan are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

All interest-related charges, except any capitalized borrowing costs, are recognized as expense in profit or loss under Interest Expense account in the statement of comprehensive income.

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. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. 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 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 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 Investment Properties**

Investment properties include several buildings for mixed use, which are being leased out as office, retail and hotel, including the hotel's parking spaces.

Investment properties are accounted for under the fair value model. They are revalued annually and are reported in the statement of financial position at its fair value. Fair value is based on the income approach and is determined annually by an independent appraiser with sufficient experience with respect to both the location and the nature of the investment properties (see Note 21.3).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains on investment properties account under the Other Income (Charges) section in the statement of comprehensive income.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their 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 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.

## ***2.7 Revenue and Expense Recognition***

Revenue comprises revenue from leasing activities.

To determine whether to recognize revenue, the Company follows a five-step process:

- (a) identifying the contract with a customer;
- (b) identifying the performance obligation;
- (c) determining the transaction price;
- (d) allocating the transaction price to the performance obligations; and,
- (e) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (c) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Company uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

The following specific recognition criteria must also be met before revenue is recognized:

- (a) *Income from dues* – Income from dues are recognized when the related services are rendered. Electricity and water dues in excess of actual charges and consumption are recorded as revenues. In addition, billing from common dues, presented at gross amounts, is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

The Company assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal for billings from common area, air conditioning and other dues, except for electricity and water dues in which the Company acts as an agent.

- (b) *Interest Income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

The Company also recognizes revenues from rentals which are based on the provisions of PFRS 16 [see Note 2.8(b)].

Cost of services and operating expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred.

Finance costs are reported on an accrual basis, except any capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.11).

## **2.8 Leases**

The Company accounts for leases as follows:

- (a) *Company as a Lessee*

For any new contracts entered into, the Company considers 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 Company assesses 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 Company;

- the Company has 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 Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company has 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.

*(b) Company as a Lessor*

Leases wherein the Company 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 Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's 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 Company determines 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 Company's 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 Company's 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 Company provides 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 Company pays fixed contributions into an independent entity. The Company has 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 Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

### ***2.11 Borrowing Costs***

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

### ***2.12 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 current tax 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 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 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 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 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.

### ***2.13 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.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total assets based on its latest financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Company's board of directors, with at least a majority of the independent directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten percent of the Company's total assets based on the latest financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

#### ***2.14 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the issuance of capital. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Retained earnings (deficit) represents all current and prior period results of pre-operations and operations as reported in the statement of comprehensive income.

#### ***2.15 Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed by dividing net profit (loss) by the weighted average number of shares issued and outstanding, adjusted retrospectively for any share dividend declared, share split and reverse share split during the current period, if any.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares. Currently, the Company does not have potential dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

#### ***2.16 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 financial statements. Events after the end of the reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

### 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, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

##### *(a) Determination of ECL on Trade and Other Receivables*

The Company uses a provision matrix to calculate ECL for trade and other 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 and customer type).

The Company has just started its operations during the period; hence, no historical default is available for the Company. The Company's 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 Company's trade and other receivables are disclosed in Note 19.2(b).

Based on management evaluation of information and circumstances affecting the Company's trade and other receivables as of the end of the reporting periods, the Company has not recognized any impairment loss.

##### *(b) Distinction Among Investment Properties and Owner-occupied Properties*

The Company determines whether a property should be classified as investment property or owner-occupied property. The Company applies judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the Company considers 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.

When a property comprises of a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Company's main line of business or for administrative purposes, the Company accounts for the portions separately if these portions can be sold separately (or leased out separately under finance lease). 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 Company's 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 Company considers each property separately in making its judgment.

(c) *Distinction Between Operating and Finance Leases as a Lessor*

The Company has 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 Company's lease agreements are classified as operating leases.

(d) *Evaluating Principal Versus Agent Consideration*

The Company exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Company is a principal) or to arrange for the other party to provide to those goods or services (i.e., the Company is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Company assessed that it is acting as an agent for utility transactions of its tenants under operating leases. The net amount of utility revenues and utility expenses set off against each other is presented as part of Income from dues under Revenues section of the statements of comprehensive income for the reporting periods presented.

(e) *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 18.

### **3.2 Key Sources of Estimation Uncertainty**

Presented below 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) *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 19.2.

(b) *Fair Value Measurement of Investment Properties*

The Company's investment properties, composed of buildings for mixed use, are measured using the fair value model. In determining the fair value of these assets, the Company engages the services of professional and independent appraisers applying the Income Approach. In determining the fair value under the Income Approach, significant estimates are made such as revenues generated, costs and expenses related to the operations of the development and discount rate (see Note 21.3).

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 21.3.

For investment properties with valuation 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.

(c) *Determination of Realizable Amount of Deferred Tax Asset*

The Company reviews its deferred taxes 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 assets to be utilized. Although the Company is not designated as tax-free under the law, as a REIT entity it is exempt from income tax provided it meets certain conditions which includes distribution of a minimum amount of its earnings. The Company assesses that it will continue to comply with the conditions and therefore will not have sufficient taxable income against which it can utilize its net operating loss carry over (NOLCO). As a result, no deferred tax asset was recognized as of December 31, 2022 and 2021.

The carrying amount of the unrecognized deferred tax asset as at December 31, 2022 and 2021 is disclosed in Note 14.

(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 Company's 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 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 Company's non-financial assets required to be recognized for the reporting periods presented.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

|                          | <u>2022</u>                   | <u>2021</u>            |
|--------------------------|-------------------------------|------------------------|
| Cash on hand and in bank | <b>P 724,400,562</b>          | P 832,127,010          |
| Short-term placements    | <u><b>656,125,498</b></u>     | <u>501,678,597</u>     |
|                          | <u><b>P 1,380,526,060</b></u> | <u>P 1,333,805,607</u> |

Cash in bank generally earns interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 30 to 44 days and earn effective interest of 0.5% to 1.125%.

Interest earned from cash in bank and short-term placements for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 amounted to P22.0 million, P8.0 million and P0.6 million, respectively. Interest earned is presented as Interest income under Other Income (Charges) section in the statements of comprehensive income.

## 5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

|                     | <u>2022</u>                 | <u>2021</u>                 |
|---------------------|-----------------------------|-----------------------------|
| Current             |                             |                             |
| Trade receivables:  |                             |                             |
| Accrued             | P 148,321,339               | P 14,112,404                |
| Billed              | 104,289,531                 | 70,763,275                  |
| Others              | <u>11,340,345</u>           | <u>3,243,107</u>            |
|                     | 263,951,215                 | 88,118,786                  |
| Non-current –       |                             |                             |
| Trade receivables – |                             |                             |
| Accrued             | <u>45,889,816</u>           | <u>56,558,890</u>           |
|                     | <u><b>P 309,841,031</b></u> | <u><b>P 144,677,676</b></u> |

Accrued receivables pertain 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, including dues. These are noninterest-bearing and are generally collectible on 30-day term.

All trade and other receivables are subject to credit risk exposure. However, there was no impairment losses recognized for the reporting periods presented as management believes that the remaining receivables are fully collectible [see Note 19.2(b)].

## 6. INVESTMENT PROPERTIES

The Company's investment properties include several buildings for mixed use, which are being leased out as office, retail and hotel, including the hotel's parking spaces.

A reconciliation of the carrying amounts of investment properties is shown below.

|                                | <u>2022</u>                    | December 31,                   | June 30,                       |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                | (One Year)                     | 2021                           | 2021                           |
|                                |                                | (Six Months)                   | (Six Months)                   |
| Balance at beginning of period | P 59,261,000,000               | P 49,443,000,000               | P -                            |
| Additions                      | -                              | 9,116,000,000                  | 49,202,407,620                 |
| Fair value gains (losses)      | ( 2,822,000,000)               | 702,000,000                    | 240,592,380                    |
| Balance at end of period       | <u><b>P 56,349,000,000</b></u> | <u><b>P 59,261,000,000</b></u> | <u><b>P 44,443,000,000</b></u> |

As of December 31, 2022, the Company has a total of 14 investment properties consisting of the following:

Located at McKinley Hill, Fort Bonifacio, Taguig City:

- One World Square
- Two World Square
- Three World Square
- 8/10 Upper McKinley Building
- 18/20 Upper McKinley Building
- World Finance Plaza

Located at Eastwood, Quezon City:

- 1880 Eastwood Avenue
- 1800 Eastwood Avenue
- E-Commerce Plaza

Located at Iloilo Business Park, Iloilo City:

- Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower
- One Techno Place
- Two Techno Place
- Three Techno Place
- One Global Center

For the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, rental income from investment properties amounted to P2,917.8 million, P1,197.5 million and P195.0 million, respectively (see Note 11).

The direct operating costs incurred relating to investment properties, which pertains to repairs and maintenance and real property taxes, amounted to P104.1 million, P10.7 million and P4.4 million for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, respectively. All investment properties generate rental income.

The fair values of the investment properties as of December 31, 2022 and 2021 were determined based on the latest appraisal reports by an independent real property appraiser, which uses the income approach (see Note 21.3). The related fair value loss for the year ended December 31, 2022 and fair value gain for the six months ended December 31, 2021 and June 30, 2021 are presented as Fair Value Gains (Losses) on Investment Properties in the statements of comprehensive income.

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones.

The details of the assets transferred to the Company are presented below.

|   | <u>Ownership</u> |
|---|------------------|
| Two Global Center, Megaworld Blvd. and Enterprise Rd.,<br>Iloilo Business Park, Manduriao Iloilo City | 100%             |
| Festive Walk 1B, Lot 5 Buhang Taft North Mandurriao,<br>Iloilo City                                   | 100%             |
| One West Campus, 5 Le Grand Avenue, McKinley West,<br>Fort Bonifacio, Taguig City                     | 80% pro indiviso |
| Five West Campus, 15 Le Grand Avenue, McKinley West,<br>Fort Bonifacio, Taguig City                   | 80% pro indiviso |

The transaction, once completed, will result to an increase of control and ownership of MC over the Company from 62.09% to 65.67%. As of the date of approval of the condensed interim financial statements, the Company is yet to obtain the SEC's confirmation of the valuation of the properties transferred in exchange for the shares.

## 7. OTHER ASSETS

The Company's other assets consist of the following:

|                                      | <u>2022</u>                 | <u>2021</u>          |
|--------------------------------------|-----------------------------|----------------------|
| Current:                             |                             |                      |
| Prepaid expenses                     | <b>P 156,894,776</b>        | P 24,595,487         |
| Creditable withholding taxes         | <b>78,876,441</b>           | 35,522,343           |
| Deferred input value added tax (VAT) | <u><b>32,537,899</b></u>    | <u>11,144,521</u>    |
|                                      | <u><b>268,309,116</b></u>   | <u>71,262,351</u>    |
| Non-current:                         |                             |                      |
| Deferred charges                     | <b>56,033,405</b>           | 41,737,454           |
| Security deposit                     | <b>19,488,462</b>           | 12,704,475           |
| Other non-current asset              | <u><b>17,118,747</b></u>    | <u>-</u>             |
|                                      | <u><b>92,640,614</b></u>    | <u>54,441,929</u>    |
|                                      | <u><b>P 360,949,730</b></u> | <u>P 125,704,280</u> |

Security deposit is related to the lease of certain parcels of land on which the investment properties stand (see Note 15.2). The related interest income recognized from subsequent amortization of the security deposit for the year ended December 31, 2022 and six months ended December 31, 2021 (nil for the six months ended June 30, 2021) amounted to P1.0 million and P0.4 million, respectively. Interest earned is presented as part of Interest income under Other Income (Charges) section in the statements of comprehensive income.

Deferred charges pertain to the difference between the nominal values of the security deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method. Amortization of deferred charges is presented as part of Miscellaneous under Cost of Services account in the statements of comprehensive income (see Note 12). Other non-current asset consists of office machinery-net and advance payment to contractors for aircon related repairs and enhancement.

## 8. ACCOUNTS AND OTHER PAYABLES

The details of this account are as follows:

|                           | <u>Notes</u> |          | <u>2022</u>        |   | <u>2021</u> |
|---------------------------|--------------|----------|--------------------|---|-------------|
| Accounts payable          | 15.3         | <b>P</b> | <b>411,064,691</b> | P | 84,743,687  |
| Accrued expenses          | 15.3         |          | <b>53,027,572</b>  |   | 54,791,622  |
| Output VAT payable        |              |          | <b>9,406,429</b>   |   | 5,958,108   |
| Interest payable          | 10           |          | <b>8,055,636</b>   |   | 7,995,219   |
| Withholding taxes payable |              |          | <b>6,076,519</b>   |   | 7,083,822   |
| Deferred output VAT       |              |          | <b>4,524,528</b>   |   | 11,618,604  |
| Others                    |              |          | <b>1,832,948</b>   |   | 281         |
|                           |              | <b>P</b> | <b>493,988,323</b> | P | 172,191,343 |

## 9. DEPOSITS AND OTHER LIABILITIES

The details of this account are as follows:

|                   | <u>Notes</u> |          | <u>2022</u>          |   | <u>2021</u>   |
|-------------------|--------------|----------|----------------------|---|---------------|
| Current:          |              |          |                      |   |               |
| Advance rent      | 15.1, 18.1   | <b>P</b> | <b>152,740,389</b>   | P | 139,154,738   |
| Security deposits | 15.1, 18.1   |          | <b>107,491,807</b>   |   | 87,085,752    |
| Deferred credits  |              |          | <b>5,841,656</b>     |   | 36,768,312    |
|                   |              |          | <b>266,074,302</b>   |   | 263,008,802   |
| Non-current:      |              |          |                      |   |               |
| Security deposits | 15.1, 18.1   |          | <b>605,347,267</b>   |   | 588,129,870   |
| Advance rent      | 15.1, 18.1   |          | <b>327,114,762</b>   |   | 411,374,176   |
| Deferred credits  |              |          | <b>78,321,720</b>    |   | 73,372,035    |
|                   |              |          | <b>1,010,783,749</b> |   | 1,072,876,081 |
|                   |              | <b>P</b> | <b>1,276,858,051</b> | P | 1,335,884,883 |

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligations under the lease contracts. These are equivalent to three months' rent for office and six months' rent for commercial spaces and will be refunded to the lessee at the end of the lease term.



A reconciliation of security deposits as of December 31, 2022 and 2021 is shown below:

|                                | <b>2022</b>                 | December 31,         | June 30,             |
|--------------------------------|-----------------------------|----------------------|----------------------|
|                                | <b>(One Year)</b>           | 2021                 | 2021                 |
|                                |                             | (Six Months)         | (Six Months)         |
| Balance at beginning of period | <b>P 675,215,622</b>        | P 507,472,851        | P -                  |
| Additions                      | <b>1,345,783</b>            | 152,069,109          | 505,069,460          |
| Accretion of interest          | <b><u>36,277,669</u></b>    | <u>15,673,662</u>    | <u>2,403,391</u>     |
| Balance at end of period       | <b><u>P 712,839,074</u></b> | <u>P 675,215,622</u> | <u>P 507,472,851</u> |

Accretion of interest is presented as part of Interest expense under Other Income (Charges) section of the statements of comprehensive income.

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.

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 is shown below.

|                                | <b>2022</b>                | December 31,         | June 30,            |
|--------------------------------|----------------------------|----------------------|---------------------|
|                                | <b>(One Year)</b>          | 2021                 | 2021                |
|                                |                            | (Six Months)         | (Six Months)        |
| Balance at beginning of period | <b>P 110,140,347</b>       | P 95,358,222         | P -                 |
| Additions                      | <b>12,385,578</b>          | 31,323,170           | 97,977,031          |
| Amortization                   | <b><u>(38,362,549)</u></b> | <u>(16,541,045)</u>  | <u>(2,618,809)</u>  |
| Balance at end of period       | <b><u>P 84,163,376</u></b> | <u>P 110,140,347</u> | <u>P 95,358,222</u> |

Amortization of deferred credits is presented as part of Rental income under Revenues section in the statements of comprehensive income (see Note 11).

## 10. INTEREST-BEARING LOAN

In December 2021, the Company obtained an unsecured, 10-year, P7.25 billion term loan from a local bank to finance the acquisition of investment properties (see Note 6). The principal is payable quarterly in installment beginning on the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly at 3.64% per annum subject to repricing on December 2024.

The Company is required to maintain certain financial ratios to comply with its debt covenants with a certain local bank. As of December 31, 2022 and 2021, the Company is in compliance with such financial covenant obligations.

Related interest incurred amounted to P267.4 million and P8.0 million are presented as part of Interest Expense in the statements of comprehensive income for the year ended December 31, 2022 and six months ended December 31, 2021. The related accrual is presented as Interest payable under Accounts and Other Payables in the statements of financial position (see Note 8).

The reconciliation of the unamortized loan origination costs is presented below.

|                                | <b>2022</b><br><b>(One Year)</b> | 2021<br>(Six Months) |
|--------------------------------|----------------------------------|----------------------|
| Balance at beginning of period | <b>P 54,210,741</b>              | P -                  |
| Additions                      | -                                | 54,375,000           |
| Amortization                   | <b>(5,452,002)</b>               | (164,259)            |
| Balance at end of period       | <b><u>P 48,758,739</u></b>       | <u>P 54,210,741</u>  |

Amortization of loan originating costs for the reporting periods are presented as part of Interest Expense in the statements of comprehensive income.

## 11. RENTAL INCOME

The Company derives its revenues from contracts with customers through leasing real properties. The breakdown of rental income for as reported in the statements of comprehensive income is shown below.

|                                  | <b>2022</b><br><b>(One Year)</b> | December 31,<br>2021<br>(Six Months) | June 30,<br>2021<br>(Six Months) |
|----------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| Office                           | <b>P 2,685,516,839</b>           | P 1,106,101,576                      | P 180,906,954                    |
| Commercial                       | <b>131,765,294</b>               | 45,839,766                           | 6,715,759                        |
| Hotel                            | <b>56,400,000</b>                | 28,200,000                           | 4,700,000                        |
| Advertising                      | <b>4,447,035</b>                 | 185,294                              | -                                |
| Parking                          | <b>1,293,968</b>                 | 629,980                              | 102,710                          |
| Amortization of deferred credits | <b><u>38,362,549</u></b>         | <u>16,541,045</u>                    | <u>2,618,809</u>                 |
|                                  | <b><u>P 2,917,785,685</u></b>    | <u>P 1,197,497,661</u>               | <u>P 195,044,232</u>             |

Rental income from office, retail and advertising includes income from straight-line method of recognizing rental income amounting to P123.5 million, P58.3 million and P12.4 million, for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, respectively.

Rental income also includes variable lease payments amounting to P21.7 million, P8.2 million and P1.4 million for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, respectively, which do not depend on an index or a rate.

## 12. COST OF SERVICES

The following are the details of direct costs and expenses from rendering of services for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021:

|                         | <u>Notes</u> | <b>2022</b>                 | December 31,                | June 30,                   |
|-------------------------|--------------|-----------------------------|-----------------------------|----------------------------|
|                         |              | <b>(One Year)</b>           | 2021                        | 2021                       |
|                         |              |                             | <u>(Six Months)</u>         | <u>(Six Months)</u>        |
| Management fees         | 15.3         | <b>P 200,682,199</b>        | P 63,807,804                | P -                        |
| Outside services        |              | <b>178,224,665</b>          | 79,955,625                  | 9,308,668                  |
| Utilities               |              | <b>134,251,052</b>          | 54,410,175                  | 4,370,148                  |
| Repairs and maintenance |              | <b>82,949,835</b>           | 2,469,379                   | 2,966,060                  |
| Supplies and materials  |              | <b>28,689,642</b>           | 2,581,208                   | -                          |
| Taxes and licenses      |              | <b>24,567,523</b>           | 11,434,498                  | 3,485,621                  |
| Insurance               |              | <b>11,742,529</b>           | 4,282,156                   | -                          |
| Miscellaneous           | 8            | <b>15,103,748</b>           | 4,046,947                   | 338,918                    |
|                         |              | <b><u>P 676,211,193</u></b> | <b><u>P 222,987,792</u></b> | <b><u>P 20,469,415</u></b> |

## 13. OTHER OPERATING EXPENSES

Presented below are the details of other operating expenses.

|                                | <u>Note</u> | <b>2022</b>                | December 31,              | June 30,                   |
|--------------------------------|-------------|----------------------------|---------------------------|----------------------------|
|                                |             | <b>(One Year)</b>          | 2021                      | 2021                       |
|                                |             |                            | <u>(Six Months)</u>       | <u>(Six Months)</u>        |
| Taxes and licenses             |             | <b>P 18,555,936</b>        | P 2,967,914               | P 17,017,937               |
| Professional fees              |             | <b>5,942,958</b>           | 1,069,812                 | 444,500                    |
| Outside services               | 15.6        | <b>5,469,780</b>           | 3,376,257                 | 1,100,342                  |
| Advertising and promotion      |             | <b>3,829,094</b>           | 920,130                   | -                          |
| Salaries and employee benefits |             | <b>3,111,376</b>           | 197,218                   | 37,500                     |
| Office supplies                |             | <b>47,647</b>              | 692,044                   | 3,630                      |
| Depreciation                   |             | <b>25,661</b>              | -                         | -                          |
| Transportation and travel      |             | <b>18,421</b>              | -                         | -                          |
| Miscellaneous                  |             | <b>399,410</b>             | 407,537                   | 157,240                    |
|                                |             | <b><u>P 37,400,283</u></b> | <b><u>P 9,630,912</u></b> | <b><u>P 18,761,149</u></b> |

#### 14. INCOME TAXES

The components of tax expense (income) as reported in the statements of comprehensive income for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 are as follows:

|   | <b>2022</b><br><b>(One Year)</b> | December 31,<br>2021<br>(Six Months) | June 30,<br>2021<br>(Six Months) |
|---|----------------------------------|--------------------------------------|----------------------------------|
| Current tax expense -<br>Final tax at 20%   | <b>P 4,348,835</b>               | P 1,588,771                          | P 115,727                        |
| Deferred tax expense (income)<br>Related to origination and<br>reversal of temporary<br>differences | <u>-</u>                         | ( <u>101,168,723</u> )               | <u>101,168,724</u>               |
|   | <b><u>P 4,348,835</u></b>        | <b><u>(P 99,579,952)</u></b>         | <b><u>P 101,284,451</u></b>      |

A reconciliation of tax on pretax profit or loss computed at the applicable statutory rates to tax expense or income reported in the statement of comprehensive income for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 are presented below.

|   | <b>2022</b><br><b>(One Year)</b> | December 31,<br>2021<br>(Six Months) | June 30,<br>2021<br>(Six Months) |
|---|----------------------------------|--------------------------------------|----------------------------------|
| Tax on pre-tax profit (loss) at 25%   | <b>(P 43,051,178)</b>            | P 478,659,059                        | P 106,697,720                    |
| Adjustment for income subjected to<br>lower tax rates                       | <b>( 1,156,977 )</b>             | ( 410,548 )                          | ( 28,931 )                       |
| Unrecognized deferred taxes   | <b>665,942,389</b>               | -                                    | -                                |
| Tax effects of:   |                                  |                                      |                                  |
| Deductible dividend distribution  | <b>( 618,470,648 )</b>           | -                                    | -                                |
| Non-deductible expenses   | <b>10,930,654</b>                | 4,573,933                            | 634,669                          |
| Non-taxable income  | <b>( 9,845,406 )</b>             | ( 194,301,013 )                      | ( 669,305 )                      |
| Deductible expenses   | <b>-</b>                         | ( 280,417,757 )                      | ( 3,203,301 )                    |
| Excess of optional standard<br>deductions (OSD) over<br>itemized deductions | <b>-</b>                         | ( 6,514,902 )                        | -                                |
| Reversal of deferred tax liabilities  | <b>-</b>                         | ( 101,168,724 )                      | -                                |
| Application of unrecognized<br>NOLCO  | <u>-</u>                         | <u>-</u>                             | <u>( 2,144,401 )</u>             |
|   | <b><u>P 4,348,835</u></b>        | <b><u>(P 99,579,952)</u></b>         | <b><u>P 101,284,451</u></b>      |

In 2022 and 2021, the Company is subject to regular corporate income tax (RCIT) of 25% of net taxable income. However, the Company did not recognize RCIT in both years since the Company reported zero net taxable income for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021.

The Company is not subject to the minimum corporate income being a REIT entity.

The Company opted to claim itemized deduction for the year ended December 31, 2022 while the Company claimed OSD in computing for its income tax due for the six months ended December 31, 2021 and June 30, 2021. In addition, the Company's dividend distribution can be claimed as a special deduction in computing for taxable income both under OSD and itemized deductions.

In 2020, the Company incurred NOLCO amounting to P10.3 million, of which P8.6 million was claimed as a deduction from the Company's taxable income for the period ended June 30, 2021. The remaining NOLCO incurred in 2020, which can be claimed as a deduction from the future taxable income until 2025 in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*, amounted to P1.7 million as at December 31, 2021. Deferred tax asset on NOLCO amounting to P0.4 million as at December 31, 2021 was not recognized [see Note 3.2(c)].

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 financial statements.

## 15. RELATED PARTY TRANSACTIONS

The Company's related parties include the Parent Company and related parties under common ownership. A summary of the Company's transactions and outstanding balances with its related parties is presented below and in the succeeding page.

| Related Party<br>Category                      | Notes | Amounts of Transactions |                      |                  | Outstanding<br>Receivable (Payable) |               |
|--|-------|-------------------------|----------------------|------------------|-------------------------------------|---------------|
|  |       | 2022                    | December 31,<br>2021 | June 30,<br>2021 |                                     |               |
|  |       | (One Year)              | (Six Months)         | (Six Months)     | 2022                                | 2021          |
| <b>Parent Company:</b>                         |       |                         |                      |                  |                                     |               |
| Purchase of properties                         | 6     | P -                     | P9,116,000,000       | P -              | P -                                 |               |
| Rendering of services                          | 15.1  | 190,288,374             | 73,776,308           | 12,296,051       | 30,071,019                          | 10,897,960    |
| Advance rent                                   | 15.1  | ( 3,713,545)            | ( 13,527,808)        | 13,527,808       | ( 3,713,545)                        | -             |
| Security deposits received                     | 15.1  | ( 8,979,924)            | ( 18,117,600)        | -                | ( 27,097,524)                       | ( 18,117,600) |
| Security deposits paid                         | 15.2  | 22,782,651              | 375,155              | 12,327,320       | 35,487,127                          | 12,704,475    |
| Property-for-share swap                        | 15.4  | -                       | -                    | 49,202,440,620   | -                                   | -             |
| Accommodation of expenses                      | 15.5  | -                       | -                    | ( 201,820)       | -                                   | -             |
| <b>Related parties under common Ownership:</b> |       |                         |                      |                  |                                     |               |
| Advance rent                                   | 15.1  | ( 96,529)               | ( 96,529)            | 8,713,747        | ( 8,713,745)                        | ( 8,617,218)  |
| Security deposits received                     | 15.1  | ( 2,258,173)            | ( 10,674,337)        | 12,195,962       | ( 25,128,472)                       | ( 22,870,299) |
| Rendering of services                          | 15.1  | 127,753,385             | 61,122,501           | 9,938,898        | 54,249,565                          | 21,192,835    |
| Management services                            | 15.3  | 200,682,199             | 63,807,804           | -                | ( 146,452,966)                      | ( 53,860,004) |
| <b>Key management personnel – Compensation</b> |       |                         |                      |                  |                                     |               |
| Compensation                                   | 15.6  | 5,469,780               | 2,734,890            | -                | -                                   | -             |

### ***15.1 Rendering of Services to Related Parties***

The Company leases some of its investment properties to the Parent Company and 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 5 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 under Revenues section in the statements of comprehensive income for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 (see Note 11). The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade receivables under the Trade Receivables account in the statements of financial position (see Note 5) impairment disclosure. 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 statements of financial position (see Note 9).

### ***15.2 Land Lease Agreement***

In 2021, the Company entered into a land lease agreement with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay MC rent equivalent to: (a) 2.5% of gross rental income for office, retail and commercial properties for the period July 1, 2023 and until June 30 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period July 1, 2023 and until June 30 2025, and 3% thereafter.

Deposit paid by the Company from the land lease agreement was presented as Security deposit under Other Non-current Assets in the statements of financial position (see Note 7). This deposit will be refunded at the end of the lease term at its face value amounting to P77.0 million.

### ***15.3 Management Services***

The fund management function of the Company is handled by MREIT Fund Managers, Inc., a subsidiary of MC, in exchange for a fee. Management fee is payable annually equivalent to 3.5% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The operations and management of the properties and facilities of the Company are handled by MREIT Property Managers, Inc., a subsidiary of MC, in exchange for a fee. Property management fee is payable quarterly equivalent to 2% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The Company recognized a total of P200.7 million management fees for the year ended December 31, 2022 and P63.8 million for the six months ended December 31, 2021 (nil for the six months ended June 30, 2021), which is presented as part of Cost of Services in the statement of comprehensive income for the year ended December 31, 2022 and six month period ended December 31, 2021. The outstanding balance of P146.5 million as of December 31, 2022 is presented as part of Accounts payable under Accounts and Other Payables account in the statement of financial position as of December 31, 2022 (see Note 8).

#### 15.4 Property-for-share swap

In May 2021, ten properties were transferred to the Company in accordance with the Property-for-Share Swap transaction (the Assigned Properties) entered into by the Company and MC as approved by its BOD and stockholders on April 7, 2021. On June 1, 2021, SEC has certified the approval of the valuation of the Assigned Properties amounting to P49,202.4 million. Consequently, on June 2, 2021, the Company issued 1,282,120,381 common shares to MC, and the Deed of Assignment of Leases was consummated.

#### 15.5 Accommodation of Expenses

In 2020, portion of the SEC registration fees amounting to P0.2 million was paid by MC on behalf of the Company. This outstanding balance arising from this transaction was unsecured, noninterest-bearing and was payable in cash on demand or through offsetting arrangement. The amount was paid in June 2021.

#### 15.6 Key Management Personnel Compensation

Key management personnel compensation pertains to payment for outsourced management services included within Outside services under Other Operating Expenses (see Note 13).

### 16. EQUITY

#### 16.1 Capital Stock

Capital stock consists of:

|                                    | Shares               |                      |                      | Amount                             |                                      |                                  |
|------------------------------------|----------------------|----------------------|----------------------|------------------------------------|--------------------------------------|----------------------------------|
|                                    | December 31,<br>2022 | December 31,<br>2021 | June 30,<br>2021     | December 31,<br>2022<br>(One Year) | December 31,<br>2021<br>(Six Months) | June 30,<br>2021<br>(Six Months) |
| Common shares                      |                      |                      |                      |                                    |                                      |                                  |
| Authorized                         |                      |                      |                      |                                    |                                      |                                  |
| Balance at beginning of the period | 5,000,000,000        | 5,000,000,000        | 50,000,000           | P 5,000,000,000                    | P 5,000,000,000                      | P 5,000,000,000                  |
| Change in par value                | -                    | -                    | 4,950,000,000        | -                                  | -                                    | -                                |
| Balance at end of the period       | <u>5,000,000,000</u> | <u>5,000,000,000</u> | <u>5,000,000,000</u> | <u>P 5,000,000,000</u>             | <u>P 5,000,000,000</u>               | <u>P 5,000,000,000</u>           |
| Issued and outstanding             |                      |                      |                      |                                    |                                      |                                  |
| Balance at beginning of the period | 2,532,121,381        | 2,532,121,381        | 100,000              | P 2,532,121,381                    | P 2,532,121,381                      | P 10,000,000                     |
| Issuance                           | -                    | -                    | 1,294,521,381        | -                                  | -                                    | 2,522,121,381                    |
| Change in par value                | -                    | -                    | 1,237,500,000        | -                                  | -                                    | -                                |
| Balance at end of the period       | <u>2,532,121,381</u> | <u>2,532,121,381</u> | <u>2,532,121,381</u> | <u>P 2,532,121,381</u>             | <u>P 2,532,121,381</u>               | <u>P 2,532,121,381</u>           |

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 to and paid for 12,400,000 shares with par value of P100 per share or a total of P1,240,000,000.

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 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. On May 19, 2021, the Company obtained approval of the amendments from the SEC (see Note 1).

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.

On June 2, 2021, on consummation of the Deed of Exchange of Property and Shares in relation to the Property-for-Share Swap transaction with MC, the Company issued 1,282,120,381 common shares at par value of P1 per share (see Notes 1 and 6). In addition, the Company recognized APIC amounting to P47,920,287,239, less shares issuance costs amounting to P12.8 million.

On June 16, 2021, the Company filed its application with the PSE for the listing of its 2,532,121,381 existing common shares. The listing application was approved by PSE on August 9, 2021 which includes the Secondary Offer Shares of 844,300 common shares with an Overallotment Option of up to 105,537,500 common shares to be offered and sold by MC to the public, under the Main Board of the PSE with an offer price of P16.10 per share. The PSE approved the listing application of the Company on August 9, 2021.

Also on June 16, 2021, the Company filed a Registration Statement covering the registration of 2,532,121,381 existing common shares, in accordance with the requirements of the SEC's Securities Regulation Code. The Registration Statement was rendered effective on September 13, 2021.

On October 1, 2021, the common shares of the Company were listed as a REIT company under the Main Board of the PSE.

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones. As of the date, the Company is yet to obtain the SEC's confirmation of the valuation of the properties transferred in exchange for the shares.

As of December 29, 2022, the last trading date for 2022, there are 23,841 shareholders of at least one board lot of the listed shares, which closed at P14.48 per share as of that date.

## 16.2 Dividends

The details of the Company's cash dividend declarations are as follows:

|                                  | Q1 2023           |             | Q4 2022           |             | Q3 2022         |             | Q2 2022        |             | Q1 2022        |             | 2021          |             |
|----------------------------------|-------------------|-------------|-------------------|-------------|-----------------|-------------|----------------|-------------|----------------|-------------|---------------|-------------|
| Declaration date/approved by BOD | January 6, 2023   |             | November 11, 2022 |             | August 5, 2022  |             | April 22, 2022 |             | March 4, 2022  |             | Oct. 25, 2021 |             |
| Date of record                   | January 24, 2023  |             | November 25, 2022 |             | August 19, 2022 |             | May 10, 2022   |             | March 18, 2022 |             | Nov. 9, 2021  |             |
| Date of payment                  | February 15, 2023 |             | December 15, 2022 |             | Sept. 9, 2022   |             | May 31, 2022   |             | March 31, 2022 |             | Nov. 15, 2021 |             |
| Amounts declared to common       | P                 | 614,799,071 | P                 | 618,850,466 | P               | 624,927,557 | P              | 615,305,496 | P              | 607,455,919 | P             | 607,709,131 |
| Per share value                  | P                 | 0.2428      | P                 | 0.2444      | P               | 0.2468      | P              | 0.2430      | P              | 0.2399      | P             | 0.2400      |



### 16.3 Distributable Income

The computation of the distributable income of the Company for the year ended December 31, 2022 is shown below.

|  |                               |
|--|-------------------------------|
| Net loss   | (P 176,553,547)               |
| Fair value adjustment of investment property<br>resulting to loss  | 2,822,000,000                 |
| Unrealized gains or adjustments to income<br>as a result of certain transactions<br>accounted for under PFRS | ( 121,191,720)                |
| Adjustments due to any prescribed accounting<br>standard which result to a loss                              | <u>1,939,137</u>              |
| Distributable income   | <b><u>P 2,526,193,870</u></b> |

## 17. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share amounts were computed as follows:

|  | <b>2022</b><br><b>(One Year)</b> | December 31,<br>2021<br>(Six Months) | June 30,<br>2021<br>(Six Months) |
|--|----------------------------------|--------------------------------------|----------------------------------|
| Net profit (loss) for the period                           | <b>(P 176,553,547)</b>           | P 2,014,216,186                      | P 325,506,427                    |
| Divided by weighted number<br>of outstanding common shares | <u><b>2,532,121,381</b></u>      | <u>2,532,121,381</u>                 | <u>2,532,121,381</u>             |
| Basic and diluted earnings (loss)<br>per share             | <b><u>(P 0.07)</u></b>           | <u>P 0.80</u>                        | <u>P 0.13</u>                    |

The Company has no potential dilutive common shares as of year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021.

## 18. COMMITMENTS AND CONTINGENCIES

### 18.1 Operating Lease Commitments – Company as a Lessor

The Company is a lessor under several operating leases covering real estate properties for office and commercial use (see Note 6). The future minimum lease receivable under these agreements as of December 31, 2022 and 2021 are shown below.

|   | <b>2022</b>                    | <b>2021</b>                    |
|---|--------------------------------|--------------------------------|
| Within one year                                   | <b>P 2,981,191,290</b>         | P 2,911,615,030                |
| After one year but not more than<br>two years     | <b>2,497,739,835</b>           | 2,876,435,530                  |
| After two years but not more than<br>three years  | <b>1,875,531,163</b>           | 2,090,182,820                  |
| After three years but not more than<br>four years | <b>1,111,478,803</b>           | 1,424,419,672                  |
| After four years but not more than<br>five years  | <b>657,254,881</b>             | 749,643,195                    |
| More than five years                              | <u><b>2,778,752,188</b></u>    | <u>2,946,449,745</u>           |
|   | <b><u>P 11,901,948,160</u></b> | <b><u>P 12,998,745,992</u></b> |

The Company 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 Company's 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 Company may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, the Company requires security deposits and advanced rentals representing three months' and six months' rent from office and commercial tenants, respectively (see Note 9).

### ***18.2 Operating Lease Commitments – Company as a Lessee***

The Company entered into a land lease agreement with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years. (see Note 15.2). Variable lease payments will commence on July 1, 2023. The lease agreement do not contain any fixed lease payments. In addition, the lease agreement involves payment for security deposit (see Note 7).

### ***18.3 Others***

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.

## **19. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 20. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close coordination with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial risks.

The Company does not engage in trading of financial assets for speculative purposes. The relevant financial risks to which the Company is exposed are discussed below.

### ***19.1 Market Risk***

As of December 31, 2022 and 2021, the Company is exposed to market risk through its cash in banks, which are subject to changes in market interest rates. However, management believes that the related interest rate risk exposure is not significant. All other financial assets and financial liabilities are either noninterest-bearing or subject to fixed interest rates.

## 19.2 Credit Risk

The Company's credit risk is attributable to trade and other receivables and other financial assets. The Company maintains 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 Company's policy is to deal only with creditworthy counterparties. In addition, for trade receivables, 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 statement of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

|                             | Notes | 2022                          | 2021                          |
|-----------------------------|-------|-------------------------------|-------------------------------|
| Cash and cash equivalents   | 4     | <b>P 1,380,526,060</b>        | P 1,333,805,607               |
| Trade and other receivables | 5     | <b>309,841,031</b>            | 144,677,676                   |
| Security deposit            | 7     | <b>19,488,462</b>             | 12,704,475                    |
|                             |       | <b><u>P 1,709,855,553</u></b> | <b><u>P 1,491,187,758</u></b> |

### (a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum of P0.5 million for every depositor per banking institution.

### (b) Trade and Other Receivables

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The Company has just started its operation during the current period; hence, no historical information is available for the Company. In addition, management considers the ECL on the Company's trade and other receivables to be negligible taking into consideration the counterparties' ability to repay at the reporting date.

Furthermore, the Company considers credit enhancements in determining the expected credit loss. Trade receivables are collateralized by advance rental and security deposits received from lessees.

The estimated fair value of collateral and other security enhancements held against trade and other receivables as of December 31, 2022 and 2021 is presented below.

|                         | <b>Gross<br/>Maximum<br/>Exposure</b> | <b>Fair<br/>Value of<br/>Collaterals</b> | <b>Net<br/>Exposure</b> |
|-------------------------|---------------------------------------|--|-------------------------|
| As of December 31, 2022 | <b>P 309,841,031</b>                  | <b>P 1,192,694,675</b>                   | <b>P -</b>              |
| As of December 31, 2021 | <b>P 144,677,676</b>                  | <b>P 1,225,744,536</b>                   | <b>P -</b>              |

(c) *Security Deposit*

The credit risk for security deposit is considered negligible as the Company has ongoing lease agreement with the counterparty and the latter is considered to be with sound financial condition and sufficient liquidity. The security deposit can also be applied against future rental payments in cases of default.

### 19.3 Liquidity Risk

The Company 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-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 Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities.

As at December 31, 2022 and 2021, the Company's financial liabilities have contractual maturities which are presented below.

|                                 | <b>Within<br/>1 Year</b>    | <b>1 to 5<br/>Years</b>       | <b>More than<br/>5 Years</b>  |
|---------------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b><u>December 31, 2022</u></b> |                             |                               |                               |
| Interest-bearing loan           | P 260,116,227               | P 1,087,645,108               | P 8,234,613,600               |
| Security deposits               | 188,900,183                 | 535,675,064                   | 73,381,164                    |
| Accounts payable                | 411,064,691                 | -                             | -                             |
| Accrued expenses                | <u>53,027,572</u>           | <u>-</u>                      | <u>-</u>                      |
|                                 | <b><u>P 913,108,674</u></b> | <b><u>P 1,623,320,172</u></b> | <b><u>P 8,307,994,764</u></b> |
| <b><u>December 31, 2021</u></b> |                             |                               |                               |
| Interest-bearing loan           | P 202,226,142               | P 1,062,378,362               | P 8,558,008,771               |
| Security deposits               | 80,283,620                  | 624,904,157                   | 81,250,993                    |
| Accounts payable                | 84,743,687                  | -                             | -                             |
| Accrued expenses                | <u>54,791,622</u>           | <u>-</u>                      | <u>-</u>                      |
|                                 | <b><u>P 422,045,071</u></b> | <b><u>P 1,687,282,519</u></b> | <b><u>P 8,639,259,764</u></b> |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

## 20. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 20.1 Carrying Amounts and Fair Value by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

|  |       | 2022                   |                        | 2021                   |                        |
|--|-------|------------------------|------------------------|------------------------|------------------------|
|  | Notes | Carrying Values        | Fair Values            | Carrying Values        | Fair Values            |
| <b>Financial assets</b>                  |       |                        |                        |                        |                        |
| Financial assets at amortized cost:      |       |                        |                        |                        |                        |
| Cash and cash equivalents                | 4     | P 1,380,526,060        | P 1,380,526,060        | P 1,333,805,607        | P 1,333,805,607        |
| Trade and other receivables              | 5     | 309,841,031            | 309,841,031            | 144,677,676            | 144,677,676            |
| Security deposit                         | 7     | <u>19,488,462</u>      | <u>19,488,462</u>      | <u>12,704,475</u>      | <u>14,998,475</u>      |
|  |       | <u>P 1,709,855,553</u> | <u>P 1,709,855,553</u> | <u>P 1,491,187,758</u> | <u>P 1,493,481,758</u> |
| <b>Financial liabilities</b>             |       |                        |                        |                        |                        |
| Financial liabilities at amortized cost: |       |                        |                        |                        |                        |
| Interest-bearing loan                    | 10    | P 7,201,241,354        | P 7,201,241,354        | P 7,195,789,259        | P 7,195,789,259        |
| Security deposits                        | 9     | 712,839,074            | 783,211,603            | 675,215,622            | 755,115,600            |
| Accounts payable                         | 8     | 411,064,691            | 411,064,691            | 84,743,687             | 84,743,687             |
| Accrued expenses                         | 8     | 53,027,572             | 53,027,572             | 54,791,622             | 54,791,622             |
| Interest payable                         | 8     | <u>8,055,636</u>       | <u>8,055,636</u>       | <u>7,995,219</u>       | <u>7,995,219</u>       |
|  |       | <u>P 8,354,127,228</u> | <u>P 8,098,435,386</u> | <u>P 8,018,535,409</u> | <u>P 8,098,435,387</u> |

See Note 2.3 for the description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 19.

### 20.2 Offsetting of Financial Assets and Financial Liabilities

Except for the offsetting of rental receivables and rental deposits arising from the normal course of the Company's leasing activities, the Company has not set off financial instruments 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 Company's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

## 21. FAIR VALUE MEASUREMENT AND DISCLOSURE

### 21.1 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.

### ***21.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

The Company's financial assets which are not measured at fair value in the statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables and security deposit, which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to security deposits, accrued expenses 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.

### ***21.3 Fair Value Measurement of Investment Properties***

As of December 31, 2022 and 2021, the Company's investment properties amounting to P56.4 billion and P59.3 billion, respectively, are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the Company's investment properties (see Note 6) are determined on the basis of the appraisals performed by Santos Knight Frank, Inc., an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. Briefly describing the valuation method used, the approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the Properties. 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 Company's investment property is its current use.

Fair value as determined by independent appraisers are based on the Income Approach. Under the Income Approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment. The most common approach in valuing future economic benefits of a projected income stream is the discounted cash flows model. This valuation process of this model consists of the following: (a) estimation of the revenues generated; (b) estimation of the costs and expenses related to the operations of the development; (c) estimation of an appropriate discount rate; and (d) discounting process using an appropriate discount rate to arrive at an indicative fair value. The most significant inputs used in this model are the estimated expected future annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

The fair value is sensitive to changes in discount rate, terminal capitalization rate and market rental. A change in these unobservable inputs would have the following impact on fair value:

|                              | <u>Increase</u> | <u>Decrease</u> |
|------------------------------|-----------------|-----------------|
| Discount rate                | Decrease        | Increase        |
| Terminal capitalization rate | Decrease        | Increase        |
| Increase in market rental    | Increase        | Decrease        |

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

Also, there were no transfers into or out of Level 3 fair value hierarchy.

## 22. 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. The Company's total liabilities and total equity are presented below.

|                   | <u>2022</u>            | <u>2021</u>     |
|-------------------|------------------------|-----------------|
| Total liabilities | <b>P 8,972,087,278</b> | P 8,703,865,485 |
| Total equity      | <b>49,518,229,093</b>  | 52,161,322,078  |

Under REIT Act, the Company is subject to external capital requirement to have a minimum paid-up capital of P300.0 million which was complied with as of the reporting periods presented.

## 23. OPERATING SEGMENT

The Company has determined that it operates as one operating segment. The Company's only income-generating activity is the lease of its buildings which is the measure used by the Chief Operating Decision Maker in allocating resources.

# **Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements**

**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

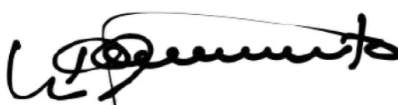
**The Board of Directors and Stockholders  
MREIT, Inc.**

***(A Subsidiary of Megaworld Corporation)***

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 financial statements of MREIT, Inc. (the Company) as at and for the year ended December 31, 2022 and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic 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 financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **PUNONGBAYAN & ARAULLO**



**By: Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 9566641, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023



**MREIT, INC.**  
**List of Supplementary Information**  
**December 31, 2022**

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**Other Required Information**

Reconciliation of Retained Earnings Available for Dividend Declaration

Map Showing the Relationship Between the Company and its Related Entities

**MREIT, Inc.**  
**Schedule A - Financial Assets**  
**December 31, 2022**

The Company does not have financial assets classified under fair value through other comprehensive income, fair value through profit or loss and held to maturity as of December 31, 2022.

**MREIT, Inc.**

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders  
(Other than Related Parties)  
December 31, 2022**

The Company does 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 December 31, 2022.

MREIT, Inc.  
Schedule C - Amounts Receivable/ Payable from/ to Related Parties which are Eliminated  
During the Consolidation of Financial Statements  
December 31, 2022

| <i>Name and<br/>Designation of<br/>Debtor</i> | <i>Balance at<br/>Beginning of<br/>Period</i> | <i>Additions</i> | <i>Deductions</i>            |                                | <i>Current</i> | <i>Not Current</i> | <i>Balance at End<br/>of Period</i> |
|---|---|------------------|------------------------------|--------------------------------|----------------|--------------------|-------------------------------------|
|   |   |                  | <i>Amounts<br/>Collected</i> | <i>Amounts<br/>Written Off</i> |                |                    |                                     |
| N/A   | N/A   | N/A              | N/A                          | N/A                            | N/A            | N/A                | N/A                                 |

MREIT, Inc.  
Schedule D - Long-Term Debt  
December 31, 2022

| <i>Title of Issue and Type of<br/>Obligation</i> | <i>Amount<br/>Authorized by<br/>Indenture</i> | <i>Amount shown under Caption<br/>"Interest-bearing loan" in<br/>related Balance Sheet</i> | <i>Amount shown under Caption<br/>"Interest-bearing loan" in<br/>related Balance Sheet</i> |
|--|---|--|--|
| Long -term loan (Domestic)                       | P 7,250,000,000                               | p -  | P 7,201,241,354  |

**MREIT, Inc.**  
**Schedule E - Indebtedness to Related Parties (Long-term Loans from Related Companies)**  
**December 31, 2022**

| <i><b>Name of Related Party</b></i> | <i><b>Balance at Beginning of Period</b></i> | <i><b>Balance at End of Period</b></i> |
|-------------------------------------|--|--|
| N/A                                 | N/A  | N/A                                    |

MREIT, Inc.  
Schedule F - Guarantees of Securities of Other Issuers  
December 31, 2022

| <i>Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed</i> | <i>Title of Issue of Each Class of Securities Guaranteed</i> | <i>Total Amount Guaranteed and Outstanding</i> | <i>Amount Owned by Person for which Statement is Filed</i> | <i>Nature of Guarantee</i> |
|---|--|--|--|----------------------------|
| N/A   | N/A  | N/A  | N/A  | N/A                        |

MREIT, Inc.  
Schedule G - Capital Stock  
December 31, 2022

| <i>Title of Issue</i>        | <i>Number of Shares Authorized</i> | <i>Number of Shares Issued and Outstanding as shown under the related Balance Sheet Caption</i> | <i>Number of Shares Reserved for Options, Warrants, Conversion and other Rights</i> | <i>Number of Shares Held by</i> |  |               |
|------------------------------|------------------------------------|---|---|---------------------------------|--|---------------|
|                              |                                    |   |   | <i>Related Parties</i>          | <i>Directors, Officers and Employees</i> | <i>Others</i> |
| Common shares - P1 par value | 5,000,000                          | 2,532,121,381   | -   | 1,572,282,881                   | 4,000                                    | 959,842,500   |



**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
18th Floor, Alliance Global Tower,  
36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City

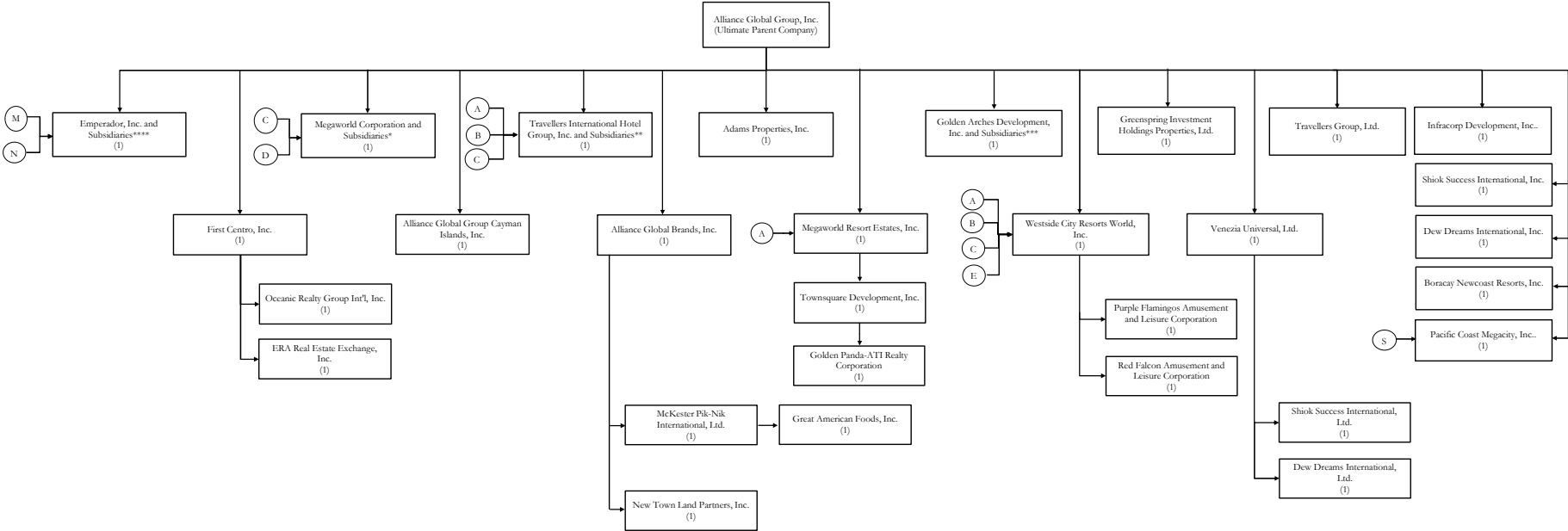
**Reconciliation of Retained Earnings Available for Dividend Declaration  
For the Year Ended December 31, 2022**

|  |     |               |                    |
|--|-----|---------------|--------------------|
| <b>Unappropriated Retained Earnings at Beginning of the Period</b>   |     | P             | 1,721,734,662      |
| <b>Prior Period Outstanding Reconciling Items:</b>   |     |               |                    |
| Fair value adjustments of investment properties  | ( P | 702,000,000 ) |                    |
| Deferred tax expense   | (   | 101,168,724 ) |                    |
| PFRS 16 straight-line adjustment on rental income  | (   | 58,285,853 )  |                    |
| Loan transaction costs   | (   | 54,210,741 )  |                    |
| Rent income on amortization of deferred credits  | (   | 16,541,045 )  |                    |
| Interest expense on amortization of security deposit (liability)   |     | 15,673,662    |                    |
| Rent expense on amortization of deferred charges   |     | 858,354       |                    |
| Interest income on amortization of security deposit (asset)  | (   | 377,155 )     | ( 916,051,502 )    |
| <b>Unappropriated Retained Earnings Available for<br/>Dividend Declaration at Beginning of Period, as Adjusted</b> |     |               | 805,683,160        |
| <b>Net Profit Realized during the period</b>   |     |               |                    |
| <b>Net loss per audited financial statements</b>   |     | (             | 176,553,547 )      |
| <b>Non-actual/unrealized income</b>  |     |               |                    |
| Fair value adjustments of investment properties  |     | 2,822,000,000 |                    |
| PFRS 16 straight-line adjustment on rental income  | (   | 123,539,861 ) |                    |
| Amortization of loan transaction costs   |     | 5,452,095     |                    |
| Rent income on amortization of deferred credits  | (   | 38,362,549 )  |                    |
| Interest expense on amortization of security deposit (liability)   |     | 36,277,669    |                    |
| Rent expense on amortization of deferred charges   |     | 1,939,137     |                    |
| Interest income on amortization of security deposit (asset)  | (   | 1,019,075 )   | 2,702,747,417      |
| <b>Dividends declared during the period</b>  |     | (             | 2,466,539,438 )    |
| <b>Unappropriated Retained Earnings Available for<br/>Dividend Declaration at End of Period</b>                    |     | <b>P</b>      | <b>865,337,592</b> |

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**

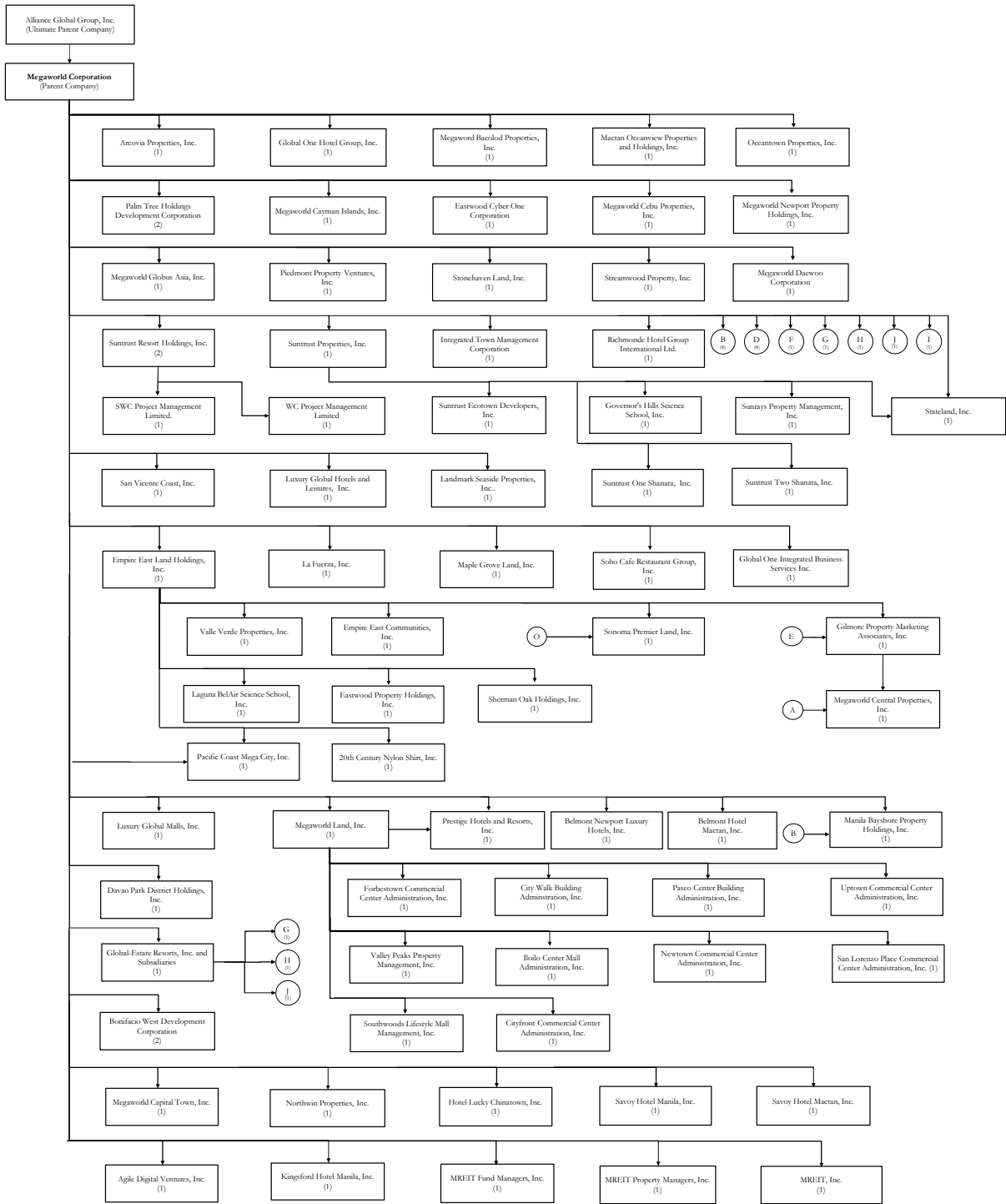
Map Showing the Relationship Between Alliance Global Group, Inc.  
and its Related Parties

December 31, 2022



| 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 Emperor 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.              |

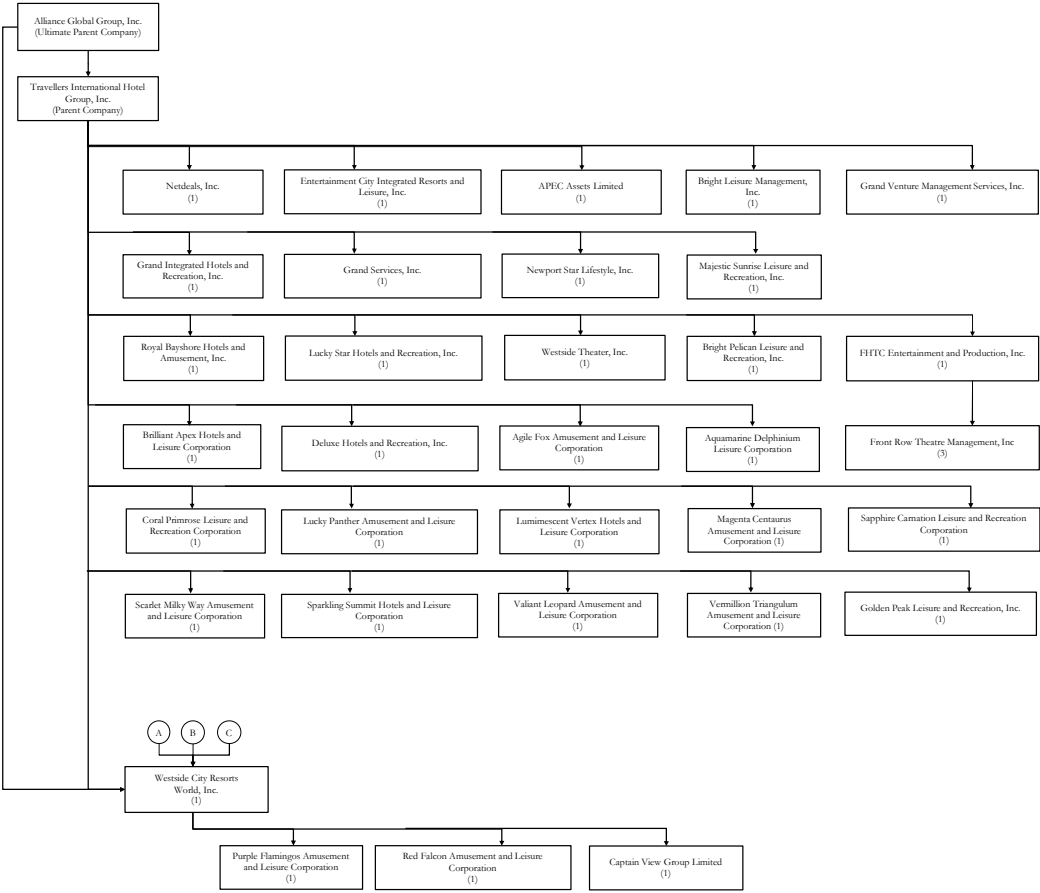
**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
 Map Showing the Relationship Between Alliance Global Group, Inc.  
 and Megaworld Corporation Group  
 December 31, 2022



**Legend**  
 Relationship with Megaworld Corporation

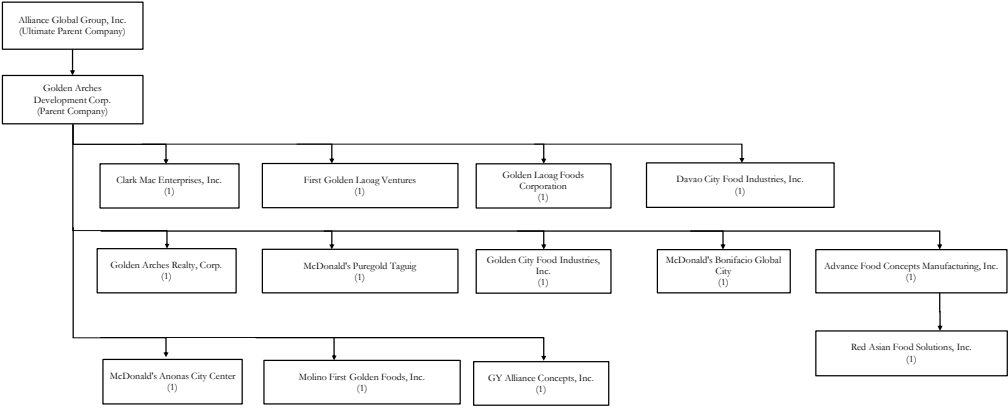
- (1) Subsidiary  
 (2) Associate  
 (3) Jointly Controlled Entity  
 (4) FVOCI

- A Megaworld Corporation  
 B Travellers International Hotel Group,  
 C Manila Bayshore Property Holdings, I  
 D Westside City Resorts World, Inc.  
 E Townsquare Development, Inc.  
 F Megaworld Resort Estates, Inc.  
 G Twin Lakes Corporation  
 H Megaworld Global Estates, Inc.  
 I Megaworld Central Properties, Inc.  
 J Southwoods Mall, Inc.  
 K Sonoma Premier Land, Inc.  
 L Gilmore Property Marketing Associates, Inc.  
 M Empire East Land Holdings, Inc.  
 N Suntrust Resort Holdings, Inc.  
 O First Centro, Inc.



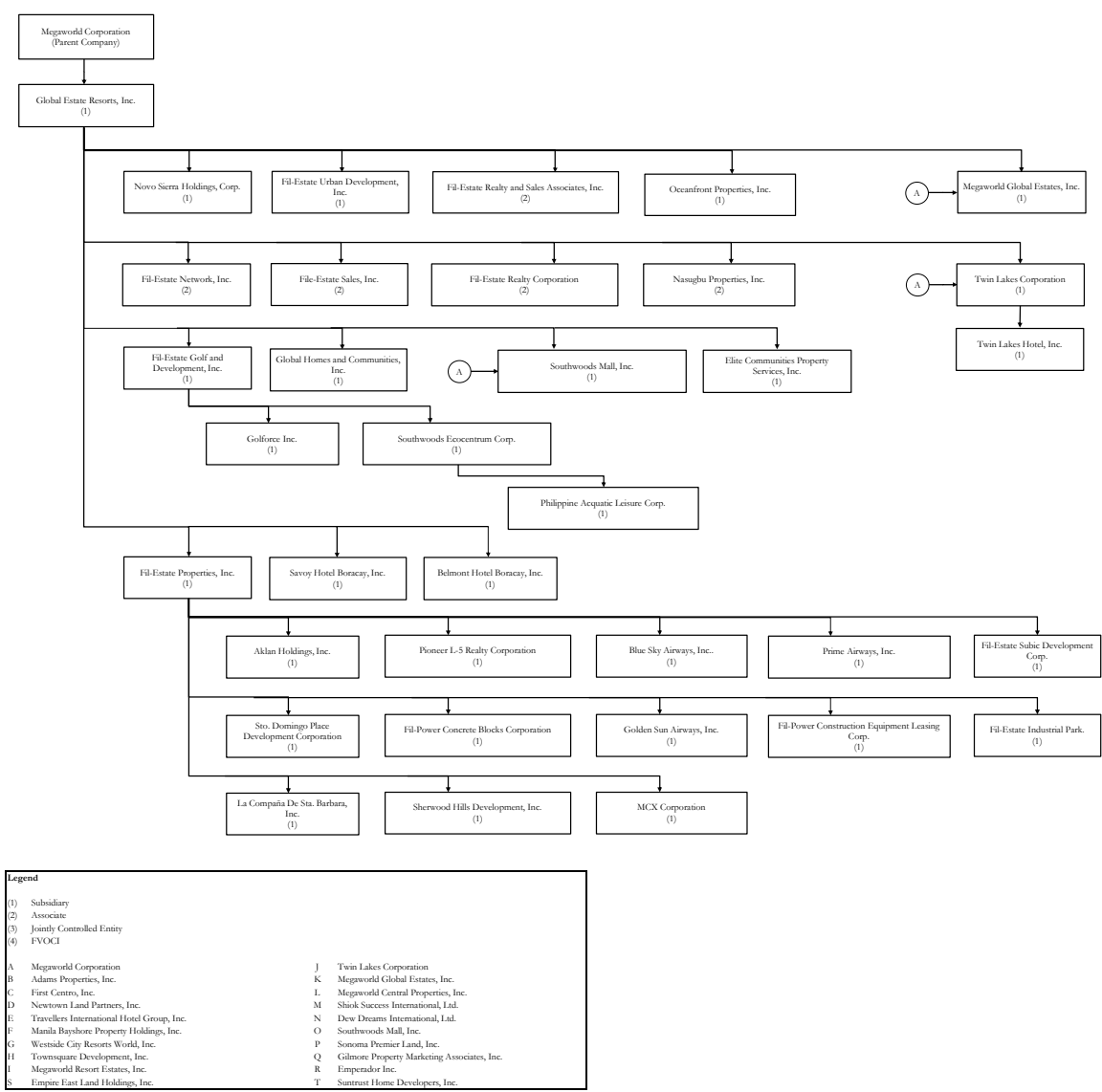
| Legend   |   |
|--|---|
| Relationship with Travellers International Hotel Group, Inc. |   |
| (1)  | Subsidiary                                  |
| (2)  | Associate                                   |
| (3)  | Jointly Controlled Entity                   |
| (4)  | FVOCI                                       |
| A  | Megaworld Corporation                       |
| B  | Adams Properties, Inc.                      |
| C  | First Centro, Inc.                          |
| D  | Newtown Land Partners, Inc.                 |
| E  | Travellers International Hotel Group, Inc.  |
| F  | Manila Bayshore Property Holdings, Inc.     |
| G  | Westside City Resorts World, Inc.           |
| H  | Townsquare Development, Inc.                |
| I  | Megaworld Resort Estates, Inc.              |
| S  | Empire East Land Holdings, Inc.             |
| J  | Twin Lakes Corporation                      |
| K  | Megaworld Global Estates, Inc.              |
| L  | Megaworld Central Properties, Inc.          |
| M  | Shiak Success International, Ltd.           |
| N  | Dew Dreams International, Ltd.              |
| O  | Southwoods Mall, Inc.                       |
| P  | Sonoma Premier Land, Inc.                   |
| Q  | Gilmore Property Marketing Associates, Inc. |
| R  | Emperador 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  
December 31, 2022



| Legend  |   |
|---|---|
| Relationship with Golden Arches Development Corporation |   |
| (1)   | Subsidiary                                  |
| (2)   | Associate                                   |
| (3)   | Jointly Controlled Entity                   |
| (4)   | FVOCI                                       |
| A   | Megaworld Corporation                       |
| B   | Adams Properties, Inc.                      |
| C   | First Centro, Inc.                          |
| D   | Newtown Land Partners, Inc.                 |
| E   | Travelers International Hotel Group, Inc.   |
| F   | Manila Bayshore Property Holdings, Inc.     |
| G   | Westside City Resorts World, Inc.           |
| H   | Townsquare Development, Inc.                |
| I   | Megaworld Resort Estates, Inc.              |
| S   | Empire East Land Holdings, Inc.             |
| J   | Twin Lakes Corporation                      |
| K   | Megaworld Global Estates, Inc.              |
| L   | Megaworld Central Properties, Inc.          |
| M   | Shak Success International, Ltd.            |
| N   | Dew Dreams International, Ltd.              |
| O   | Southwoods Mall, Inc.                       |
| P   | Sonoma Premier Land, Inc.                   |
| Q   | Gilmore Property Marketing Associates, Inc. |
| R   | Emperador 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  
December 31, 2022



Map Showing the Relationship Between Alliance Global Group, Inc.  
and Emperador Group  
December 31, 2022



# **Report of Independent Auditors on Components of Financial Soundness Indicators**

**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

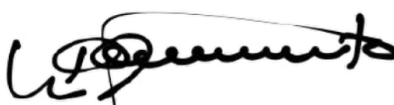
**The Board of Directors and Stockholders  
MREIT, Inc.**

***(A Subsidiary of Megaworld Corporation)***

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 financial statements of MREIT, Inc. (the Company) as at and for the year ended December 31, 2022 and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic 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 Company's 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 financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the year ended December 31, 2022 and six months periods ended December 31, 2021 and June 30, 2021 and no material exceptions were noted.

## **PUNONGBAYAN & ARAULLO**



**By: Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 9566641, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023



**MREIT, INC.**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
For the year ended December 31, 2022\*

| Ratio                        | Formula   | December 31, 2022<br>(One Year) | December 31, 2021<br>(Six Months) | June 30, 2021<br>(Six Months) |
|------------------------------|---|---------------------------------|-----------------------------------|-------------------------------|
| Current ratio                | Current assets / Current liabilities  | 2.52                            | 3.43                              | 9.51                          |
| Acid test ratio              | Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)                     | 2.16                            | 3.27                              | 9.51                          |
| Debt-to-equity ratio         | Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)** | 0.15                            | 0.14                              | N/A                           |
| Asset-to-equity ratio        | Total assets / Total stockholders' equity   | 1.18                            | 1.17                              | 1.02                          |
| Solvency ratio               | EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**                     | 0.02                            | 0.27                              | N/A                           |
| Interest rate coverage ratio | EBIT / Total Interest (Total interest includes interest expense and capitalized interest)   | 0.44                            | 81.34                             | 178.58                        |
| Return on equity             | Net profit / Average total stockholders' equity   | -0.0035                         | 0.04                              | 0.01                          |
| Return on assets             | Net profit / Average total assets   | -0.0030                         | 0.04                              | 0.01                          |
| Net profit margin            | Net profit / Total revenues   | -0.0484                         | 1.38                              | 1.43                          |

\*The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. Subsequently, the Company applied with the SEC in October 2021 for the amendments in the By-laws for a change in its reporting period from fiscal year beginning July 1 and ending June 30 to calendar year beginning January 1 and ending December 31, and such amendment was approved by the SEC and Bureau of Internal Revenue (BIR) in November 2021.

\*\*The Company has no interest bearing loans and borrowings and bonds and notes payable as of June 30, 2021.



## **Sustainability Report 2022**

## Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

### Contextual Information

| Company Details  |   |
|--|---|
| Name of Organization   | MREIT, Inc.   |
| Location of Headquarters   | 18th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City.   |
| Location of Operations   | Philippines   |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report  | MREIT is a subsidiary of Megaworld Corporation  |
| Business Model, including Primary Activities, Brands, Products, and Services | MREIT, a company designated by its Sponsor, Megaworld Corporation to operate as a Real Estate Investment Trust (REIT), leases to a diversified tenant base, with a high-quality portfolio (the “Portfolio”) of 14 office, hotel and retail assets (the “Properties” and each, a “Property”) across the Philippines with an aggregate GLA of 280,175 sqm as of December 31, 2022. MREIT’s Portfolio consists of commercial spaces primarily leased for office purposes, which may also be used and leased for retail purposes as required. |
| Reporting Period   | 01 January 2022 to 31 December 2022   |
| Highest Ranking Person responsible for this report                           | Kevin Andrew L. Tan, President and CEO  |

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**

**Process in Determining Material Topics**

In 2022, MREIT, Inc. adopted the Global Reporting Initiative's (GRI) updated system of identifying material topics. In doing such, the Company assessed its material topics in 2021 whether these are still relevant in this reporting period. MREIT Inc. reviewed its sustainability initiatives, risks, opportunities, and outcomes to assess and identify the relevance of such material topics. Thereafter, the Company identified the positive and negative impacts that could directly affect the economic, environment, and/or society of each material topic.

In following the updated GRI Standards in identifying material topics, MREIT Inc. likewise determined whether these impacts are positive or negative. Consequently, the Company reviewed the impacts of its operations to assess accurately the material topics listed.

The following are the identified material topics by the Company:

1. Business Ethics and Integrity
2. Occupational Health & Safety
3. Customers
4. Economic Performance
5. Regulatory Compliance
6. Employee Welfare
7. Climate Change
8. Energy Management
9. Data Privacy
10. Waste Management
11. Diversity and Equal Opportunity
12. Water Management
13. Market Presence
14. Human Rights
15. Accessibility
16. Procurement Practices
17. Tax
18. Air Quality
19. Greenhouse Gas Emissions

**Approach to Stakeholder Engagement**

Engagement is done through meetings (face-to-face or virtual) at least once a month to get stakeholder feedback and inputs, supporting LGU programs, as well as attendance in relevant functions, consultations, meetings and seminars together with its partners.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

| Disclosure                                | Amount*   | Unit |
|---|-----------|------|
| Direct Economic Value Generated (revenue) | 3,648,.77 | Php  |
| Economic Value Distributed                |           |      |
| Operating Costs                           | 667.38    | Php  |
| Employee Wages and Benefits               | 3.11      | Php  |
| Payments to Providers of Capital          | 2,733.90  | Php  |
| Payments to Government by Country         | 47.47     | Php  |
| Community Investments                     | 0         | Php  |
| Economic Value Retained                   | 196.91    | Php  |

*\*Amount in million pesos*

### MREIT's Management Approach on Economic Performance

MREIT's business model is reliant on its capacity to produce stable rental income and build its portfolio of income-generating properties over time. As a result, the Company prefers properties with established tenants, such as those in the Business Process Outsourcing (BPO) industry. It also aims to reduce concentration risk by diversifying its portfolio in terms of geography and tenant mix. In order to enhance the economic performance of the Company, cost-saving initiatives have been undertaken in all other aspects of business operations.

MREIT has already mapped out its expansion strategies for the coming decade. The current portfolio and project pipeline of the Company's sponsor, Megaworld Corporation, will contribute significantly to the growth efforts of the Company. In conjunction with this endeavor, the Company undertakes a thorough valuation exercise and makes it a priority to ensure that all of the standards that regulate related party transactions are adhered to in a meticulous manner. Monthly assessments of the corporate goals and budget variances are undertaken in order to get an understanding of the resources that have been used and whether or not the anticipated scorecards have been met.

### **Climate-related Risks and Opportunities**

Over the years, the Philippines has been struck by typhoons, floods, droughts, volcanic eruptions, and earthquakes, among other natural disasters. MREIT recognizes that this risk is inherent to the country and could have a material impact on the Company's operations.

Although the Company carries insurance for certain catastrophic events, of types such as business interruption insurance, in amounts and with deductibles that are consistent with general industry practices in the Philippines, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur with respect to a specific property, for example, the Company could incur significant capital losses. Any significant uninsured loss could have a material and negative impact on the Company's business, financial condition and results.

### **Procurement Practices**

#### Proportion of Spending on Local Suppliers

| Disclosure  | Quantity |      | Units |
|---|----------|------|-------|
|   | 2022     | 2021 |       |
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers. | 100      | 100  | %     |

#### **MREIT's Management Approach on Procurement Practices**

MREIT has adopted its Procurement Guidelines, highlighting the importance to the Company of ensuring that its partners and vendors have reputable backgrounds. Additionally, the Company believes that supporting its local suppliers enhances economic activities in the regions in which it operates.

The majority of the Company's procurement pertain to the administration and management of its properties, which are entrusted MREIT Property Managers, Inc., a subsidiary of its sponsor, Megaworld Corporation.

## **Anti-Corruption**

### Training on Anti-Corruption Policies and Procedures

| Disclosure   | Quantity |      | Unit |
|--|----------|------|------|
|  | 2022     | 2021 |      |
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to         | 100      | 100  | %    |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 100      | 100  | %    |
| Percentage of directors and management that have received anti-corruption training   | 100      | 100  | %    |
| Percentage of employees that have received anti-corruption training  | 100      | 100  | %    |

*\*Training related to anti-corruption is done through the employee onboarding activities.*

### Incidents of Corruption

| Disclosure   | Quantity |      | Unit |
|--|----------|------|------|
|  | 2022     | 2021 |      |
| Number of incidents in which directors were removed or disciplined for corruption                        | 0        | 0    | #    |
| Number of incidents in which employees were dismissed or disciplined for corruption                      | 0        | 0    | #    |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0        | 0    | #    |

### **MREIT's Management Approach on Anti-Corruption**

MREIT's business endeavors involve dealing with various government and non-government agencies. Any instances of corruption, particularly in the real estate industry, could result in the loss of existing investors and shareholders' confidence, may distort the market, and may increase costs to firms. To prevent this, the Company ensures that all levels of management receive annual training and the leadership mandate to prioritize integrity is communicated regularly throughout the organization. The Company has also adopted an Anti-Fraud Policy, which applies to any irregularity or suspected irregularity involving employees, shareholders, consultants, vendors, contractors, outside agencies, and other parties having business relationships with the Company.

There are no incidences of corruption for 2022.



## ENVIRONMENTAL

### Resource Management

Energy Consumption within the Organization:

| Disclosure   | Quantity   |            | Unit |
|--|------------|------------|------|
|  | 2022       | 2021       |      |
| Energy Consumption (renewable sources - biodiesel) | 0          | 0          | GJ   |
| Energy Consumption (Gasoline)                      | 0          |            | GJ   |
| Energy Consumption (LPG)                           | 0          | 0          | GJ   |
| Energy Consumption (Diesel)                        | 7,877.54   | 7,001.75   | GJ   |
| Energy Consumption (Electricity)                   | 229,090.26 | 186,984.79 | GJ   |

As restrictions further eased in 2022, employees began returning to office resulting in an increase in demand for energy, as evident in the increase in electricity consumption. Particularly in Iloilo, the return to office led to a shortage in supply causing power interruptions, necessitating the need for its generator sets. Because of this there was an increase in diesel consumption to fulfill the electricity requirements of the BPO offices.

Reduction of Energy Consumption

| Disclosure                       | Quantity      |               | Unit |
|----------------------------------|---------------|---------------|------|
|                                  | 2022          | 2021          |      |
| Energy Consumption (Gasoline)    | Not Available | Not Available | GJ   |
| Energy Consumption (LPG)         | Not Available | Not Available | GJ   |
| Energy Consumption (Diesel)      | Not Available | Not Available | GJ   |
| Energy Consumption (Electricity) | Not Available | Not Available | GJ   |

## MREIT's Management Approach on Energy Consumption

The nature of MREIT's operations requires that it maintain and operate equipment and facilities with substantial energy consumption, especially for ventilation and illumination needs. Therefore, it is important for the Company to effectively manage its energy consumption. Additionally, the Company monitors its facilities and equipment on a regular basis to see areas where energy conservation initiatives can be implemented.

MREIT measures its ability to manage its energy consumption by comparing its actual energy consumption to its allocated budget. Regular maintenance tests are also performed to ensure that the equipment is operating at its optimal level. In addition to managing the quantity of energy consumed, MREIT recognizes the significance of the energy source. In line with the Megaworld Group's thrust to transition to clean energy, MREIT will, where applicable, exert efforts to transition to renewable energy.

### Water Consumption

Water Consumption within the Organization:

| Disclosure                | Quantity      |        | Unit       |
|---------------------------|---------------|--------|------------|
|                           | 2022          | 2021   |            |
| Water Withdrawal          | 724.18        | 228.62 | Megaliters |
| Water Consumption         | 0             | 0      | Megaliters |
| Water Recycled and Reused | Not Available | 5%     | Megaliters |

Further easing of restrictions in 2022 led to a significant component of the population returning to offices, thereby boosting and essentially enhancing foot traffic to many properties, including those owned by MREIT.

### Effluents

| Disclosure                       | Quantity |       | Unit       |
|----------------------------------|----------|-------|------------|
|                                  | 2022     | 2021  |            |
| Total Volume of Water Discharges | 724.18   | 228.6 | Megaliters |
| Percent of Wastewater Recycled   | 0        | 0     | %          |

As most of MREIT's properties are offices, the need to implement hygienic practices such as consistent cleansing and washing has increased, which affected the operations within the Company's properties, resulting in a significant increase in usage of water compared to the previous year.

### MREIT's Management Approach on Water and Effluents

MREIT believes that, given the scale of its property portfolio, it can substantially contribute to efforts to manage the nation's limited water resources in an efficient manner. Through its property manager, the Company strives to reduce plumbing system leaks, promote the responsible use of water among its guests and tenants, and investigate opportunities to implement water-saving technologies in its properties.

### **Materials**

Materials Used by the Organization:

| Disclosure  | Quantity      |               | Unit |
|---|---------------|---------------|------|
|   | 2022          | 2021          |      |
| Materials Used by Weight or Volume  |               |               |      |
| Renewable   |               |               |      |
| Paper   | 2,286.67      | Not Available | kg   |
| Non-renewable   |               |               |      |
| Paint   | 11,127.85     | Not Available | kg   |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | Not Available | Not Available | %    |

Since MREIT is predominantly engaged in the leasing activity, which does not require substantial use of input materials, the aforementioned topic is not considered material.

## **Ecosystems and Biodiversity**

### Ecosystems and Biodiversity (Upland/Watershed or Coastal/Marine)

| Disclosure  | Quantity       |                | Unit |
|---|----------------|----------------|------|
|   | 2022           | 2021           |      |
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.                  | Not Applicable | Not Applicable | #    |
| Habitats Protected or Restored  | Not Applicable | Not Applicable | ha   |
| International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations | Not Applicable | Not Applicable |      |

MREIT does not have any properties located within or adjacent to watersheds or coastal and marine areas, so none of the aforementioned are considered material.

## **Environmental Impact Management**

### Air Emissions

#### GHG

| Disclosure                                    | Quantity      |               | Unit        |
|---|---------------|---------------|-------------|
|   | 2022          | 2021          |             |
| Direct (Scope 1) GHG Emissions                | 585.64        | 520.53        | Tonnes CO2e |
| Energy Indirect (Scope 2) GHG Emissions       | 45,321.69     | 36,991.82     | Tonnes CO2e |
| Emissions of ozone-depleting substances (ODS) | Not Available | Not Available |             |

#### Air Pollutants

| Disclosure                           | Quantity      |               | Unit |
|--------------------------------------|---------------|---------------|------|
|                                      | 2021          | 2022          |      |
| NOx                                  | Not Available | Not Available | kg   |
| SOx                                  | Not Available | Not Available | kg   |
| Persistent organic pollutants (POPs) | Not Available | Not Available | kg   |
| Volatile organic compounds (VOCs)    | Not Available | Not Available | kg   |
| Hazardous air pollutants (HAPs)      | Not Available | Not Available | kg   |
| Particulate matter (PM)              | Not Available | Not Available | kg   |

#### MREIT's Management Approach on Emissions

Alliance Global Group, Inc., the ultimate parent company of MREIT, has set an objective of achieving carbon neutrality by 2035. As a member of the group, MREIT intends to contribute significantly to the achievement of this objective.

The Company is committed to materialize sustainable practices to its operating properties by incorporating natural lighting and green space into its common areas. Incorporated into the operations and project development planning are strategies for on maximizing the Company's resources utilization, thereby reducing consumption and greenhouse gas emissions.

### Solid and Hazardous Wastes

#### Solid Waste

| Disclosure                  | Quantity      |               | Unit          |
|-----------------------------|---------------|---------------|---------------|
|                             | 2022          | 2021          |               |
| Total Solid Waste Generated | 7,617.03      | 7,816.43      | Metric tonnes |
| Reusable                    | Not Available | Not Available | Metric tonnes |
| Recyclable                  | Not Available | Not Available | Metric tonnes |
| Composted                   | Not Available | Not Available | Metric tonnes |
| Incinerated                 | Not Available | Not Available | Metric tonnes |
| Residuals/Landfilled        | 7,617.03      | 7,816.43      | Metric tonnes |

#### Hazardous Waste

| Disclosure                                  | Quantity |               | Unit          |
|---|----------|---------------|---------------|
|   | 2022     | 2021          |               |
| Total Weight of Hazardous Waste Generated   | 20.30    | 44.25         | Metric tonnes |
| Total Weight of Hazardous Waste Transported | 0.02     | Not Available | Metric tonnes |

#### **MREIT's Management Approach on Waste Management**

The wastes generated by MREIT properties are sent to DENR-accredited third-party haulers and recyclers, as the Company is aware that Improper handling could result in environmental contamination, waste accumulation resulting in clogged drainage systems, and health and sanitation hazards.

MREIT believes that waste generation must be regulated at various phases of the waste management process in order to reduce environmental impact. Through its property managers, the Company ensures that waste generated by its properties is effectively managed.

## **Environmental Compliance**

### Non-compliance with Environmental Laws and Regulations

| Disclosure                       | Quantity |      | Unit |
|----------------------------------|----------|------|------|
|                                  | 2022     | 2021 |      |
| Total Amount of Monetary Fines   | None     | None | Php  |
| Number of non-monetary sanctions | None     | None | #    |
| Number of cases resolved         | None     | None | #    |

MREIT obtains various government certifications, such as environment compliance certificates and operating permits necessary for the operation of the Company's leased assets. The property manager is responsible in ensuring that the Company's operating permits and licenses to operate are updated.

The Company had no incidents of non-compliance with environmental laws and/or regulations in 2022.

## SOCIAL

### Employee Management

### Employee Hiring and Benefits

#### Employee Data

| Disclosure   | Quantity      |               | Unit |
|--|---------------|---------------|------|
|  | 2022          | 2021          |      |
| Total number of employees                          | 2             | 1             | #    |
| Total number female of employees                   | 2             | 1             | #    |
| Total number of male employees                     | 0             | 0             | #    |
| Attrition Rate                                     | 0             | 0             | rate |
| Ratio of lowest paid employee against minimum wage | Not Available | Not Available | rate |

#### Employee Benefits

| List of Benefits                         | % of female employees who availed for the year | % of male employees who availed for the year |
|--|--|--|
| SSS                                      | 50%  | 0  |
| Philhealth                               | 50%  | 0  |
| Pag-ibig                                 | 0  | 0  |
| Parental Leaves                          | 0  | 0  |
| Vacation Leaves                          | 100%   | 0  |
| Sick Leaves                              | 100%   | 0  |
| Medical Benefits (Aside from PhilHealth) | 50%  | 0  |
| Retirement Fund (Aside form SSS)         | 0  | 0  |
| Further education support                | 0  | 0  |



## MREIT's Management Approach on Employment

Megaworld Corporation is in-charge of Human Resources and talent acquisition for MREIT, including the supporting workforce for its fund manager and property manager, and therefore plays a vital role in the Company's operations. Consequently, it places value on its talents by ensuring their well-being.

The Company has adopted a Policy on Health, Safety and Welfare of Employees, which mandates ensuring that employees are maintained in good state of health so that they can competently perform the physical demands of their jobs. In line with this, MREIT provides medical insurance from a Health Maintenance Organization (HMO), provides security through a life insurance policy, and recognizes an employee's performance through annual evaluations and incentives.

The Company regularly evaluates the competitiveness of its practices, processes and compensation and benefits packages in relation to those of its competitors and other industries.

### Training and Development

#### Employee Training and Development

| Disclosure                                   | Quantity |               | Unit         |
|--|----------|---------------|--------------|
|  | 2022     | 2021          |              |
| Total training hours provided to employees   |          |               |              |
| Female of employees                          | 8        | Not Available | hrs/employee |
| Male employees                               | 0        | Not Available | hrs/employee |
| Average training hours provided to employees |          |               |              |
| Female of employees                          | 4        | Not Available | hrs/employee |
| Male employees                               | 0        | Not Available | hrs/employee |

## MREIT's Management Approach on Training and Development

MREIT values its employees and believes that training and development are required for each position in order to adjust to the industry's rapid changes and growing demands. Megaworld Learning Academy, a personal and professional development initiative started by Megaworld Corporation, administers and oversees the training and development of MREIT's employees. The Company has a performance system in place that allows employees to receive feedback on their contribution to the Company's overall objective. The efficacy of learning and development initiatives/programs is determined by post-training evaluation/feedback which enables the Company to identify training improvement areas.

### Labor-Management Relations

| Disclosure  | Quantity              |                       | Unit |
|---|-----------------------|-----------------------|------|
|   | 2022                  | 2021                  |      |
| % of employees covered with Collective Bargaining Agreements*                         | 0                     | 0                     | %    |
| Number of consultations conducted with employees concerning employee-related policies | <i>Min. of 1/year</i> | <i>Min. of 1/year</i> | #    |

MREIT conforms to Megaworld Corporation's labor management practices and policies. In terms of labor management, the Company establishes a productive management relationship with its manpower complement. Even though the organization has no collective bargaining agreements in place, employees are consulted on employee-related policies at least once every year.

### Diversity and Equal Opportunity

| Disclosure  | Quantity |      | Unit |
|---|----------|------|------|
|   | 2022     | 2021 |      |
| % of female workers in the workforce                                      | 100      | 100  | %    |
| % of male workers in the workforce  | 0        | 0    | %    |
| Number of employees from indigenous communities and/or vulnerable sector* | 0        | 0    | #    |

## MREIT's Management Approach on Diversity and Equal Opportunity

MREIT believes in empowering its people to grow and learn, thus opening new opportunities within the organization.

### Workplace Conditions, Labor Standards, and Human Rights

#### Occupational Health and Safety

| Disclosure                     | Quantity      |               | Unit      |
|--------------------------------|---------------|---------------|-----------|
|                                | 2022          | 2021          |           |
| Safe Man-Hours                 | Not Available | Not Available | Man-hours |
| No. of work-related injuries   | 0             | 0             | #         |
| No. of work-related fatalities | 0             | 0             | #         |
| No. of work-related ill-health | 0             | 0             | #         |
| No. of safety drills           | 1             | Not Available | #         |

## MREIT's Management Approach on Occupational Health and Safety

As incorporated in its Policy on Health, Safety and Welfare of Employees, MREIT believes that employee well-being is vital in delivering long-term value to its stakeholders. Further to this, MREIT aligns its practices with Megaworld Corporation's Occupational Health and Safety (OHS) policy, that is focused on maintaining a safe and healthy work environment which impacts across the supply chain. Megaworld Group is in the low-risk level relative to OHS risk category, which includes risks of decrease in productivity and the possibility of healthcare financing for accidents and illnesses. Monitoring and reporting incidents of illness and accidents in the workplace are regularly conducted.

#### Labor Laws and Human Rights

| Disclosure  | Quantity |      | Unit |
|---|----------|------|------|
|   | 2022     | 2021 |      |
| No. of legal actions or employee grievances involving forced or child labor | 0        | 0    | #    |

MREIT has anti-harassment and employee welfare policies in place, and the Company ensures that these policies are effectively communicated through virtual meetings, emails and memorandums. The Company also aligns with the practices of its parent, Megaworld Corporation, which has more established policies and processed dealing with employee welfare.

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic        | Yes or No | If Yes, cite reference in the company policy  |
|--------------|-----------|---|
| Forced Labor | Yes       | Megaworld Group mandates the conduct of thorough audits on its vendors and contractors to ensure that underage workers are not employed in their operation.   |
| Child Labor  | Yes       |   |
| Human Rights | Yes       | <ul style="list-style-type: none"> <li>- MREIT's Anti-Harassment Policy</li> <li>- MREIT's Policy on Health, Safety and Welfare of Employees</li> <li>- Megaworld Corporation's Policy for Supporting Breastfeeding Employees</li> <li>- Megaworld Corporation's Policy supporting the Magna Carta for Women</li> <li>- Megaworld Corporation's Policy in support of the Family Welfare Act</li> <li>- Megaworld Corporation's Special Leave Benefits for Women Employees</li> <li>- Megaworld Corporation's Workplace policy and program on Hepatitis B</li> <li>- Megaworld Corporation's Anti-discrimination policy</li> </ul> |

### **Supply Chain Management**

MREIT engages a broad base of suppliers for the operation, maintenance, upkeep and valuation of the Company's properties, as well as the management of its funds and assets, either directly or through the property manager or the fund manager. The accreditation of these suppliers is also conducted by the property manager and fund manager following MREIT's Procurement Guidelines and Megaworld's procurement policy.

Do you consider the following sustainability topics when accrediting suppliers?

| Topic                     | Yes or No | If Yes, cite reference in the company policy   |
|---------------------------|-----------|--|
| Environmental Performance | Yes       | The Company has a third-party accreditation firm that handles the screening process and ensures that these metrics are considered. |
| Forced Labor              | Yes       |  |
| Child Labor               | Yes       |  |
| Human Rights              | Yes       |  |
| Bribery and Corruption    | Yes       |  |

### **Relationship with Community**

#### **Significant Impacts on Local Communities**

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Leasing  |
|--|--|
| Location   | Quezon City, Taguig City, Iloilo City  |
| Vulnerable groups, if applicable   | PWDs, Senior Citizens, solo parents  |
| Does the particular operation have impacts on indigenous people (Y/N)?   | Does not directly impact indigenous people since all of its properties are located in developed area                 |
| Collective or individual rights that have been identified that or  | MREITs buildings are designed to adhere to green building standards, which promotes employee well-being and increase |

|   |   |
|---|---|
| particular concern for the community                                    | <p>productivity in the workplace.</p> <p>These types of developments attract multinational corporations to locate in the country contributing to the government's efforts to provide more job opportunities in the country.</p> |
| Mitigating measures (if negative) or enhancement measures (if positive) | Not Applicable  |

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

| Certificates  | Quantity | Unit |
|---------------|----------|------|
| Not Available |          |      |

### MREIT's Management Approach on Local Communities

MREIT supports the thrust of Megaworld to help the national government in its efforts to promote countryside development by investing and managing stable and attractive properties in diverse location. MREIT believes that it can contribute to the growth of economic activities in the localities where it has a presence.

### Customer Management

#### Customer Satisfaction

| Disclosure            | Score         | Did a third party conduct the customer satisfaction study (Y/N)? |
|-----------------------|---------------|--|
| Customer Satisfaction | Not Available |  |

#### Health and Safety

| Disclosure   | Quantity |      | Unit |
|--|----------|------|------|
|  | 2022     | 2021 |      |
| No. of substantiated complaints on product or service health and safety* | 0        | 0    | #    |
| No. of complaints addressed  | 0        | 0    | #    |

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

#### MREIT's Management Approach on Customer Health and Safety

MREIT has been strictly and consistently following government guidelines in promulgating a secure and safe experience to its office tenants, especially in light of the COVID-19 pandemic.

In 2022, two buildings under the portfolio of MREIT each received a Powerful (4 stars) IMMUNE™ certification from Healthy by Design Building Institute (HDBI). Designed in response to the COVID-19 pandemic and launched in 2020 by Genesis Property, the IMMUNE Building Standard™ aims to help mitigate the effects of pandemics and other bacteriological and toxicological health threats by creating and promoting healthy buildings of the future.

#### Marketing and Labeling

| Disclosure  | Quantity |      | Unit |
|---|----------|------|------|
|   | 2022     | 2021 |      |
| No. of substantiated complaints on marketing and labeling | 0        | 0    | #    |
| No. of complaints addressed                               | 0        | 0    | #    |

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and labeling were not identified as material to the organization.

#### Customer Privacy

| Disclosure   | Quantity |      | Unit |
|--|----------|------|------|
|  | 2022     | 2021 |      |
| No. of substantiated complaints on customer privacy*   | 0        | 0    | #    |
| No. of complaints addressed  | 0        | 0    | #    |
| No. of customers, users and account holders whose information is used for secondary purposes | 0        | 0    | #    |

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

#### Data Security

| Disclosure   | Quantity |      | Unit |
|--|----------|------|------|
|  | 2022     | 2021 |      |
| No. of data breaches, including leaks, thefts and losses of data | 0        | 0    | #    |

#### MREIT's Management Approach on Customer Privacy and Data Security

MREIT values the trust of its customers and safeguarding against this violation of trust is crucial for the business. The Company gathers and processes a significant amount of data from the clients, partners and vendors. As such, compliance with the National Privacy Commission and Data Privacy Act requirements are observed and implemented to ensure that necessary and relevant measures to safeguard this information are observed.



## UN SUSTAINABLE DEVELOPMENT GOALS

| Key Products and Services | Contribution to UN SDGs  | Potential Negative Impact of Contribution | Management Approach to Negative Impacts |
|---------------------------|--|---|---|
| Office Rentals            | <p><b><u>SDG 1: No Poverty</u></b><br/>Provides indirect employment opportunities to local communities where the properties are located</p> <p><b><u>SDG 3: Good Health and Well-being</u></b><br/>Safety seals for all MREIT properties; IMMUNE Certification for two of MREIT's properties</p> <p><b><u>SDG 5: Gender Equality</u></b><br/>Equal opportunities in employment, skills training, and career advancement</p> <p><b><u>SDG 7: Affordable and Clean Energy</u></b><br/>Adapting DOE's Energy Efficiency Program</p> <p><b><u>SDG 8: Decent work and Economic Growth</u></b><br/>indirect employment through its tenants</p> <p><b><u>SDG 10: Reduced Inequalities</u></b><br/>providing job opportunities to vulnerable sector of the community</p> |   |   |

## Annex B: Topic Guide

In line with the Disclosure Topic and Management Approach discussion above, this Annex will provide a guide on what to disclose in the Topics provided in the Reporting Template. The guide is based on the GRI Standards, SASB Standards and Recommendations of the Task Force on Climate-related Financial Disclosures.

### ECONOMIC

Economic disclosures relate to how the company directly increases the pool of economic resources that flows in the local and national economy. Included in the disclosures are the risks and opportunities due to climate change, procurement practices with respect to local suppliers and anti-corruption.

#### Economic Performance

Measuring the direct economic value generated, measured as revenue and distributed (costs) shows that an organization does not just create economic value for itself but also ensures that this value flows back to its various stakeholders such as stockholders, suppliers, employees, government, and the community. This also discloses the remaining value that is retained in the company for liquidity and for future investments. Figures for this disclosure can be derived using the audited financial statement with the revenue as the economic value generated for the reporting period.

This disclosure answers the questions:

- How much direct economic value (revenue) did you generate?
- How much of this flowed back to society (costs disaggregated according to stakeholders)?
- How much of this was retained in the company for liquidity and to fund future investments?

See GRI 201-1 for more guidance on the disclosure.

Disclosure of an organization's climate-related issues helps stakeholders make sound and reasonable assessments of the impact climate change may have on the organization. Companies should disclose the climate-related risks and opportunities they have identified and how they assess and manage those issues. See GRI 201-2 and the Recommendations of the Task Force on Climate-related Financial Disclosures for more guidance on the disclosure.

#### Procurement Practices

Disclosure on the proportion of spending on local suppliers shows an organization's support for local groups, including those owned by women or members of vulnerable sectors. Supporting local suppliers can indirectly attract additional investments to the local economy. The disclosure describes the policies and practices used to select locally-based suppliers and to promote economic inclusion when selecting suppliers. See GRI 204 for more guidance on disclosures

#### Anti-corruption

Disclosures on training on anti-corruption policies and procedures show how the company ensures that it has the necessary capability to fight against corruption through proper training and awareness building for its directors, management, employees and business partners. Disclosures on incidents of corruption and how the company responded on the incidents show how serious an organization is on combatting corruption. See GRI 205 and SASB Standards General Issue Category: Business Ethics for more guidance on the disclosures.

## ENVIRONMENT

Environmental disclosures relate to how the company manages the natural resources it needs for its business, as well as how it minimizes its negative impacts to the environment, including biodiversity. The company's ability to access materials needed for its operations is critical to the company's long-term success.

### Resource Management

Disclosures on resource management such as energy consumption, water consumption, and materials use show how efficiently an organization uses scarce natural resources, which has implications on reduction of environmental impacts from extraction and processing of these resources. The efficiency of managing resources relates to profitability of the organization. See [GRI 301](#), [GRI 302](#), [GRI 303](#) and [SASB Standards General Issue Categories: Energy Management; Water and Wastewater Management; Material Sourcing and Efficiency](#) for more guidance on the disclosures.

### Ecosystems and Biodiversity

Disclosure on activities that show how an organization protects, conserves, or rehabilitates ecosystems and biodiversity therein such as in watersheds and coastal and marine areas gives an idea of how that organization appreciates the ecosystem and the services it gives that make business thrive. Ecosystems and Biodiversity is vital to human existence. Companies have the responsibility and clear business case for ensuring ecosystems and biodiversity around its sites are protected and restored. See [GRI 303](#), [GRI 304](#) and [SASB Standards General Issue Category: Ecological Impacts](#) for more guidance on the disclosures.

### Environmental Impact Management

Reporting on an organization's impact on air, soil, and water through emissions, wastes, and effluents provides a basis for companies to manage these impacts. Responsible companies take an effort to minimize such impacts through cleaner production and pollution prevention measures. Companies should disclose their performance on these topics including how well the organization mitigates, reduces, and/or prevents these impacts to the environment in compliance to Philippine Environmental Laws or on efforts beyond compliance. See [GRI 305](#), [GRI 306](#) and [SASB Standards General Issue Categories: GHG Emissions; Air Quality; Water & Wastewater Management; Waste & Hazardous Materials Management](#) for more guidance on the disclosures.

### Environmental Compliance

Disclosure on an organization's compliance with environmental laws and/or regulations shows an organization's ability to conform to certain performance parameters. The strength of an organization's compliance indicates its concern for environmental protection. See [GRI 307](#) and [SASB Standards General Issue Categories: Ecological Impacts; Air Quality; Water & Wastewater Management; Waste and Hazardous Materials Management](#) for more guidance on the disclosures

## SOCIAL

Disclosures on social topics relate to how the organization relates and manages its relationship with its stakeholders such as employees, communities, customers, and suppliers.

### Employee Management

Disclosing on employee management indicates of how good an employer the organization is in engaging its employees. It also provides a sense on how the organization develops its employees and gives equal opportunity for all, such as indigenous people and those coming from vulnerable groups which include elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E). See [GRI 401](#), [GRI 402](#), [GRI 404](#), [GRI 405](#), [GRI 406](#), [GRI 407](#), [GRI 102-8](#), [GRI 102-41](#) and [SASB Standards General Issue Categories: Labor Practices; Employee, Engagement Diversity & Inclusion](#) for more guidance on the disclosures.

### Workplace Conditions, Labor Standards and Human Rights

Disclosures on workplace conditions and labor standards show how an organization gives importance to occupational health and safety and how it upholds labor standards and human rights in the workplace. See [GRI 403](#), [GRI 408](#), [GRI 409](#), [GRI 412](#) and [SASB Standards General Issue Category: Employee Health & Safety](#) for more guidance on the disclosures.

### Supply Chain Management

Disclosures on supply chain management is most relevant for companies with a significant portion of value creation carried out by suppliers. Organizations can report on how the reporting company ensures that supplier upholds with sustainability standards and practices including compliance to Philippine laws. The reporting company may also disclose how it influences its suppliers to be sustainable through supplier accreditation processes, among other approaches. See [GRI 308](#), [GRI 414](#) and [SASB Standards General Issue Category: Supply Chain Management](#) for more guidance on the disclosures.

### Relationship with Community

These disclosures show how an organization meaningfully engages the community around their sites and how it aims to create a net positive impact to its host or neighbors. These also includes how the company contributes in addressing issues of indigenous people and those coming from vulnerable groups [youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)] in its business operations. See [GRI 411](#), [GRI 412](#), [GRI 413](#) and [SASB Standards General Issue Category: Human Rights & Community Relations](#) for more guidance on the disclosures.

### Customer Management

Disclosing on customer management shows how well an organization upholds the rights of its customers to privacy, safety, and security from probable negative impacts of its products and services. See [GRI 416](#), [GRI 417](#), [GRI 418](#) and [SASB Standards General Issue Categories: Product Quality & Safety; Customer Welfare; Selling Practices & Product Licensing](#) for more guidance on the disclosures.

## Data Security

Reporting on the number of data breaches, including leaks, thefts and losses of data shows how much importance an organization places on keeping data secure. Organizations can indicate how they manage risks related to the collection, retention and use of sensitive information. See *SASB Standards General Issue Category: Data Security* for more guidance on the disclosure.

## UN SUSTAINABLE DEVELOPMENT GOALS

The SDG Compass can be used as guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs. The SDG Compass can be accessed at <https://sdgcompass.org/>

Moreover, a recent publication with the title: *Integrating the SDGs into Corporate Reporting: A Practical Guide*,<sup>20</sup> helps companies of all sizes to prioritize SDG targets to act and report on, set related business objectives, and measure and report on progress. This is a co-production between GRI and UN Global Compact (UNGC).

Companies may also use the following framework to determine which area of sustainable development its company is contributing to improve people's quality of life.



For more information on how the private sector can contribute to sustainable development, companies may visit [www.sdgmbiz.ph](http://www.sdgmbiz.ph).

## Disclosures for REIT Companies<sup>1</sup>

### (a) Real Estate Transactions for 2022

On April 1, 2022, the Company approved the Property-for-Share Swap transaction with Megaworld Corporation (“Megaworld”) in which Megaworld transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in the real properties listed below, in exchange for 263,700,000 common shares with a par value of P1 per share and additional paid-in capital (APIC) of P5,010,300,000.00, or a total subscription price of P5,274,000,000.00. The SEC certified the approval of the valuation of the Property-for-Share Swap on March 21, 2023; hence, the issuance of additional common shares to Megaworld was consummated in March 2023. As agreed between the Company and Megaworld, the properties started contributing to the Company’s revenues as of January 1, 2023.

| Property          | Location    | Percentage of Interest Transferred | Valuation (Php)  |
|-------------------|-------------|------------------------------------|------------------|
| One West Campus   | Taguig City | 80% pro indiviso ownership         | 1,697,000,000.00 |
| Five West Campus  | Taguig City | 80% pro indiviso ownership         | 1,895,000,000.00 |
| Festive Walk 1B   | Iloilo City | 100% ownership                     | 1,510,000,000.00 |
| Two Global Center | Iloilo City | 100% ownership                     | 1,045,000,000.00 |

The properties were valued using the Income Approach.

### (b) Schedule of Properties as of 31 December 2022

| Property and Location                                | Purchase Price  | Latest Appraisal* | Remaining Land Lease Term | Gross leasable area (GLA) | Leased Area | Occupancy Rate | Rental Income   | Gross Revenue   | Cost of Services | Gross Profit    |
|--|-----------------|-------------------|---------------------------|---------------------------|-------------|----------------|-----------------|-----------------|------------------|-----------------|
|  | in Php millions | in Php millions   | Years                     | in sqm                    | in sqm      | %              | in Php millions | in Php millions | in Php millions  | in Php millions |
| <b>Eastwood, Quezon City</b><br>1800 Eastwood Avenue | 6,948           | 7,026             | 23.5 + 25                 | 34,738                    | 34,704      | 100%           | 379.4           | 496.5           | 92.1             | 404.4           |

<sup>1</sup> Pursuant to Section 6.2 of the Amended Listing Rules for REITs

|                                     |               |               |           |                |                |            |                |                |              |                |
|-------------------------------------|---------------|---------------|-----------|----------------|----------------|------------|----------------|----------------|--------------|----------------|
| 1880 Eastwood Avenue                | 6,749         | 6,798         | 23.5 + 25 | 33,744         | 26,228         | 78%        | 251.2          | 348.0          | 71.2         | 276.8          |
| E-Commerce Plaza                    | 4,188         | 4,276         | 23.5 + 25 | 20,940         | 18,834         | 90%        | 166.9          | 214.6          | 44.0         | 170.6          |
| <b>McKinley Hill, Taguig</b>        |               |               |           |                |                |            |                |                |              |                |
| One World Square                    | 7,529         | 7,343         | 23.5 + 25 | 30,482         | 30,223         | 99%        | 386.5          | 460.3          | 65.2         | 395.0          |
| Two World Square                    | 5,258         | 5,488         | 23.5 + 25 | 21,286         | 21,283         | 100%       | 260.8          | 341.4          | 72.7         | 268.6          |
| Three World Square                  | 5,241         | 4,799         | 23.5 + 25 | 21,217         | 21,003         | 99%        | 249.7          | 329.4          | 63.5         | 265.9          |
| 8/10 Upper McKinley                 | 4,925         | 4,633         | 23.5 + 25 | 19,938         | 19,938         | 100%       | 271.6          | 319.7          | 46.9         | 272.8          |
| 18/20 Upper McKinley                | 4,795         | 4,347         | 23.5 + 25 | 19,414         | 19,413         | 100%       | 241.1          | 278.5          | 36.4         | 242.1          |
| World Finance Plaza**               | 5,153         | 5,245         | 24 + 25   | 25,067         | 23,202         | 93%        | 320.0          | 367.3          | 49.0         | 318.3          |
| <b>Iloilo Business Park, Iloilo</b> |               |               |           |                |                |            |                |                |              |                |
| Richmonde Tower                     | 2,062         | 1,392         | 23.5 + 25 | 13,124         | 13,124         | 100%       | 111.8          | 124.6          | 30.5         | 94.1           |
| One Techno Place                    | 1,509         | 1,166         | 23.5 + 25 | 9,549          | 9,041          | 95%        | 58.8           | 78.8           | 22.9         | 55.9           |
| Two Techno Place**                  | 1,465         | 1,448         | 24 + 25   | 10,809         | 10,809         | 100%       | 82.3           | 105.1          | 25.1         | 80.0           |
| Three Techno Place**                | 1,242         | 1,227         | 24 + 25   | 9,568          | 9,305          | 97%        | 67.4           | 89.1           | 25.2         | 63.9           |
| One Global Center**                 | 1,256         | 1,251         | 24 + 25   | 10,301         | 10,301         | 100%       | 70.3           | 95.7           | 31.3         | 64.4           |
| <b>Total</b>                        | <b>58,318</b> | <b>56,439</b> |           | <b>280,175</b> | <b>267,407</b> | <b>95%</b> | <b>2,917.8</b> | <b>3,648.8</b> | <b>676.0</b> | <b>2,972.8</b> |

\*Latest appraisal for IPO Properties, namely: 1800, 1880, E-Commerce, One World Square, Two World Square, Three World Square, 8/10 Upper McKinley, 18/20 Upper McKinley, Richmonde Tower, and One Techno Place, issued on Feb 24, 2022

\*\*Assets injected last December 2021

(c) The comparative summary of the Company's financial performance for various time periods can be found in the SEC Form 17-A and in the Audited Financial Statements for the year ended 2022.

(d) As of the date of this report, the Company has no Reinvestment Plan that is on-going implementation. The following Reinvestment Plans of Megaworld Corporation, the Company's Sponsor, were fully implemented as of the dates mentioned below:

| Relevant Transaction  | Date of Reinvestment Plan                       | Date of Full Compliance |
|---|---|-------------------------|
| Secondary Offer by Megaworld Corporation of 844,300,000 Common Shares of MREIT, Inc. on 1 October 2021                              | 9 September 2021;<br>Amended as of 9 March 2022 | 30 September 2022       |
| Sale by Megaworld Corporation to MREIT, Inc. of Four Prime, Grade A buildings located in PEZA-registered Zones for Php9.116 billion | 17 December 2021;<br>Amended as of 9 March 2022 | 19 December 2022        |



### **CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **JESUS B. VARELA**, Filipino, of legal age, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee to be an independent director of **MREIT, Inc.** (the "Corporation") and have been its independent director since April 2021.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

| <b>COMPANY/ORGANIZATION</b>  | <b>POSITION/RELATIONSHIP</b>                            | <b>PERIOD OF SERVICE</b> |
|--|---|--------------------------|
| Megaworld Corporation  | Independent Director                                    | June 2016 to present     |
| Global Estate Resorts, Inc.  | Independent Director                                    | June 2016 to present     |
| Unibersidad de Manila  | Board Regent  | 2019 to present          |
| International Chamber of Commerce Philippines                            | Director General  | 2016 to present          |
| Foundation for Crime Prevention  | President   | 2017 to present          |
| Philippine Greek Business Council  | President   | 2008 to present          |
| Philippine Peru Business Council   | President   | 2008 to present          |
| Oil & Petroleum Holdings International Reserves, HK Ltd. (OPHIR, HK Ltd) | Director and Chair of Governance & Investment Committee | 2019 to present          |
| Euro Exim Consultancy Limited  | Honorary Chairman                                       | 2019 to present          |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not subject of any pending criminal, civil, or administrative investigation of proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

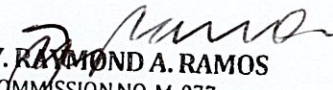
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this **11 2 APR 2023** day of **MAKATI CITY**, at \_\_\_\_\_.

  
JESUS B. VARELA  
Affiant

SUBSCRIBED AND SWORN to before me this 12 APR 2023 at  
MAKATI CITY, affiant personally appeared before me and exhibited to me his Senior Citizen  
(OSCA) ID No. 11700 issued at Quezon City on 23 January 2017.

Doc. No. 19 ;  
Page No. 05 ;  
Book No. 270 ;  
Series of 2023.

  
ATTY. ~~RAYMOND~~ A. RAMOS  
COMMISSION NO M-077  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2024  
5 KALAYAAN AVENUE EXTENSION  
BARANGAY WEST REMBO 1215, MAKATI CITY  
SC Roll No 62179/04-26-2013  
IBP NO 258534/01-02-2023/Pasig City  
PTR NO. MKT 9562350/01-03 2023/Makati City  
MCLE Compliance No. VII 0020180/04-14-2025



### **CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **ANTONIO E. LLANTADA, JR.**, Filipino, of legal age, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee to be an independent director of **MREIT, Inc.** (the "Corporation") and have been its independent director since April 2021.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

| <b>COMPANY/ORGANIZATION</b>   | <b>POSITION/RELATIONSHIP</b>     | <b>PERIOD OF SERVICE</b>    |
|---|----------------------------------|-----------------------------|
| Enderun Colleges Taguig   | Professor – Accounting & Finance | June 2014 to present        |
| Thames International School<br>Quezon City  | Professor – Accounting & Finance | March 2020 to present       |
| Asian Institute of Management<br>School of Executive Education<br>and Lifelong Learning | Guest Lecturer                   | February 2020 to<br>present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

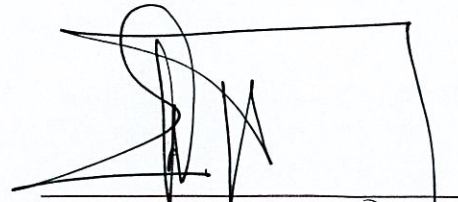
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not subject of any pending criminal, civil, or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.


7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this **12 APR 2023** day of \_\_\_\_\_, at **MAKATI CITY**.

  
ANTONIO E. LLANTADA, JR.  
Affiant

SUBSCRIBED AND SWORN to before me this 12 day of APR 2023 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Passport No. P5976428A issued at DFA NCR East on February 09, 2018.

Doc. No. 12;  
Page No. 04;  
Book No. 270;  
Series of 2023.

  
ATTY. RAYMOND A. RAMOS  
COMMISSION NO. M-077  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2024  
5 KALAYAAN AVENUE EXTENSION,  
BARANGAY WEST REMBO 1215, MAKATI CITY  
SC Roll No. 62179/04-26 2013  
IBP NO. 258534/01-02-2023/Pasig City  
PTR NO. MKT 9562350/01 03-2023/Makati City  
MCLE Compliance No. VII 0020180/04-14-2023

## **CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **SERGIO R. ORTIZ-LUIS, JR.**, Filipino, of legal age, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee to be an independent director of **MREIT, Inc.** (the “Corporation”) and have been its independent director since April 2021.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

| <b>COMPANY/ORGANIZATION</b>   | <b>POSITION/RELATIONSHIP</b>  |
|---|-------------------------------|
| Philippine Exporters Confederation Inc. (PHILEXPORT)                  | President                     |
| Employers Confederation of the Philippines (ECOP)                     | President                     |
| Philippine Chamber of Commerce & Industry (PCCI)                      | Honorary Chairman/Treasurer   |
| Asia Pacific Chinese Media, Inc.                                      | President                     |
| Philippine International Airways                                      | Chairman                      |
| One Philippines Foundation, Inc.                                      | President                     |
| National Center for Mediation   | Chairman                      |
| Waterfront Philippines, Inc.  | Chairman                      |
| Grand Ilocandia Resort and Development, Inc.                          | Chairman                      |
| Mayo Bonanza, Inc.  | Chairman                      |
| Club Waterfront International, Limited                                | Chairman                      |
| Davao Insular Hotel Company, Inc.                                     | Chairman                      |
| Aristocrat Manila City Holdings, Inc.                                 | Chairman                      |
| Country Garden Agri-Tourism Dev’t Inc.                                | Chairman                      |
| VC Securities Corporation   | Vice Chairman/Director        |
| Integrated Concepts & Solutions, Inc.                                 | Honorary Chairman             |
| Empire East   | Independent Director          |
| Acesite Hotel Philippines, Inc.                                       | Director                      |
| GS1 Philippines, Inc. (Formerly Philippine Article Numbering Council) | Director                      |
| International Chamber of Commerce of the Phil                         | Director                      |
| The Wellex Group  | Director                      |
| Manila Exposition Complex, Inc (World Trade Center)                   | Director                      |
| La Salle Tech Academy, Inc.   | Director                      |
| Philippine Estate Corporation   | Director                      |
| B.A Securities  | Director                      |
| Forum Pacific, Inc. (FPI: Philippines)                                | Director                      |
| LikeCash Asia & Pacific Corp. (LikeCash)                              | Director                      |
| SPC Power Corporation   | Director                      |
| Alliance Energy Power and Development Inc.                            | Director                      |
| MREIT Inc.  | Independent Director          |
| Philippine Ventures H2O Ventures Corporation                          | Independent Director          |
| Jollville Holdings Corporation  | Independent Director          |
| Export Development Council  | Vice Chairman                 |
| The Philippine Bamboo Council   | Private Sector Representative |



|   |                     |
|---|---------------------|
| Rotary Club of Green Meadows Foundation       | Chairman            |
| Philippine Jaycee Senate                      | Senator             |
| Philippine Coastguard Auxiliary               | Captain             |
| JARDELI Club Foundation                       | Vice Chairman       |
| Bayaning Pulis Foundation, Inc                | Director/ Treasurer |
| Human Resources Development Foundation        | Trustee & Treasurer |
| Drug Abuse Resistance Education (DARE) Phils. | Director            |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

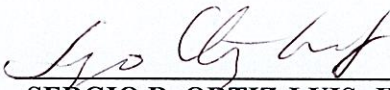
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not subject of any pending criminal, civil, or administrative investigation of proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.


7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this **12 APR 2023** day of \_\_\_\_\_, at **MAKATI CITY**.

  
**SERGIO R. ORTIZ-LUIS, JR.**  
*Affiant*

SUBSCRIBED AND SWORN to before me this **12 APR 2023** day of \_\_\_\_\_ at **MAKATI CITY**, affiant personally appeared before me and exhibited to me his Passport ID No. P5889673B issued at DFA Manila on 02 December 2020.

Doc. No. 15 ;  
Page No. 04 ;  
Book No. 270 ;  
Series of 2023.

  
**ATTY. RAYMOND A. RAMOS**  
COMMISSION NO M-077  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2024  
5 KALAYAAN AVENUE EXTENSION  
BARANGAY WEST REMBO 1215, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IBP NO. 258534/01-02-2023/Pasig City  
PTR NO. MKT 9562350/01 03 2023/Makati City  
MCLE Compliance No. VII 0020180/04-14-2025



Republic of the Philippines )  
City of MAKATI )

**CERTIFICATION**

I, **MARIA CARLA T. UYKIM**, of legal age, Filipino, with office address at the 10th Floor, Two World Square, 24 Upper McKinley Road, McKinley Hill, Taguig City 1634, Philippines, after having been sworn in accordance with law, hereby state that:

1. I am the Corporate Secretary of MREIT, Inc. (the "Corporation"), a corporation duly organized and existing under Philippine laws, with principal office address at the 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634, Philippines.

2. Based on our records, no director and/or officer of the Corporation is engaged by the government of the Philippines in any capacity.

3. This Certification is issued for the purpose of attesting to the truth of the foregoing and for whatever legal purpose it may serve.

IN WITNESS WHEREOF, I have hereunto set my hand this 24 APR 2023 in MAKATI CITY,

**MARIA CARLA T. UYKIM**  
Corporate Secretary

24 APR 2023

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at MAKATI CITY, Philippines, Affiant exhibiting to me her Driver's License No. H02-94-034162.

Doc. No. 234;  
Page No. 48;  
Book No. 12;  
Series of 2023.

**ATTY. RAMON A. RAMOS**  
COMMISSION NO. M-077  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2024  
5 KALAYAAN AVENUE EXTENSION,  
BARANGAY WEST REMBO 1215, MAKATI CITY  
SC Roll No 62179/04-26 2013  
IBP NO. 258534/01-02-2023/Pasig City  
PTR NO. MKT 9562350/01 03-2023/Makati City  
ICLE Compliance No. VII 0020180/04-14-2021



SEC Main Office  
The SEC Headquarters  
7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City , 1209

# electronic Official Receipt

## Transaction Details

|                    |                                     |
|--------------------|-------------------------------------|
| eOR Number         | 20230424-PM-0043186-95              |
| Transaction Number | 20230424121212800110170932738771226 |
| Payment Date       | April 24, 2023 09:56 AM             |
| Payment Scheme     | gcash                               |
| Status             | COMPLETED                           |
| Payment Status     | PAYMENT_SUCCESS                     |

## Payment Assessment Details

|               |                     |
|---------------|---------------------|
| PAF No.       | 20230424-7170369    |
| PAF Date      | 2023-04-24 08:48:04 |
| Payor Name    | MREIT, INC.         |
| Payor Address | TAGUIG CITY         |

| #     | Nature of Collection               | Account Code    | Amount   |
|-------|------------------------------------|-----------------|----------|
| 1     | Information Statement - Registrant | 4020199099(678) | 7,500.00 |
| 2     | Legal Research Fee (A0823)         | 2020105000(131) | 75.00    |
| TOTAL |                                    |                 | 7,575.00 |

Total amount indicated herein does not include the convenience/service fee of the selected payment channel.



# COVER SHEET

SEC Registration Number

|   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
| C | S | 2 | 0 | 2 | 0 | 5 | 2 | 2 | 9 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|

**Company Name**

[illegible]

Principal Office (No./Street/Barangay/City/Town/Province)

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
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| 3 | 6 | T | H |   | S | T | . | , |   | C | O | R | . |   |   | 1 | 1 | T | H |   | A | V | E | . | , |   |   |   |   |   |   |
| U | P | T | O | W | N |   |   | B | O | N | I | F | A | C | I | O | , |   |   | T | A | G | U | I | G |   |   | C | I | T | Y |

**CHERYLL B. SERENO**

Contact Person

|   |   |
|---|---|
| 1 | 2 |
|---|---|

|   |   |
|---|---|
| 3 | 1 |
|---|---|

Month

Day

Fiscal Year

**(632) 8894-6300/6400**

Company Telephone Number

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

Month

Day

Annual Meeting

[illegible]

Form Type

[illegible]

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|--|--|--|--|

Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

### Total Amount of Borrowings

\_\_\_\_\_

Total No. of Stockholders

\_\_\_\_\_

Domestic

|  |
|--|
|  |
|--|

Foreign

To be accomplished by SEC Personnel Concerned

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File Number

LCU

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Document I.D.

Cashier

STAMPS

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Remaks = Pls. use black ink for scanning purposes

PSE Security Code \_\_\_\_\_  
SEC Number CS202052294  
File Number \_\_\_\_\_

**MREIT, INC.**

\_\_\_\_\_  
(Company's Full Name)

**18<sup>TH</sup> FLOOR ALLIANCE GLOBAL TOWER, 36<sup>TH</sup> STREET CORNER  
11<sup>TH</sup> AVENUE, UPTOWN BONIFACIO, TAGUIG CITY 1634,  
METRO MANILA, PHILIPPINES**

\_\_\_\_\_  
(Company's Address)

**(02) 88946400**

\_\_\_\_\_  
(Company's Telephone Number)

**DECEMBER 31**

\_\_\_\_\_  
(Fiscal Year Ending)  
(Month & Day)

**SEC FORM 17-Q (Q1 2023)**

\_\_\_\_\_  
(Form Type)

\_\_\_\_\_  
(Amendment Designation, if Applicable)

\_\_\_\_\_  
Period Ended Date

**PERMIT TO OFFER SECURITIES FOR SALE**

\_\_\_\_\_  
(Secondary License Type, if any)

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **31 March 2023**
2. SEC Identification Number: **CS202052294**      3. BIR Tax Identification No. **502-228-971**
4. **MREIT, INC.**  
Exact name of issuer as specified in its charter
5. **Taguig City, Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code
7. **18<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor.  
11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634**  
Address of principal office
8. **(02) 88946400**  
Registrant's telephone number, including area code
9. Former name, former address and formal fiscal year, if changed since last report:  
**N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

|                                      |   |
|--------------------------------------|---|
| Title of Each Class<br><b>Common</b> | Number of Shares of Stock Outstanding<br><b>2,795,821,381<sup>1</sup></b> |
|--------------------------------------|---|

11. Are any or all of these securities listed on a Stock Exchange?

**[x] Yes                      [ ] No**

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange      Common Shares**

12. Check whether the issuer:

has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.

**[x] Yes                      [ ] No**

has been subject to such filing requirements for the past ninety (90) days.

**[x] Yes                      [ ] No**

---

<sup>1</sup> As of 31 March 2023, MREIT, Inc. has a total of 2,795,821,381 common shares issued and outstanding. 2,532,121,381 common shares are listed in the Philippine Stock Exchange, while the 263,700,000 common shares issued in March 2023 will also be applied for listing with the Exchange.

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Interim financial statements are attached as Exhibits hereof and incorporated by reference:

- Exhibit 1 - Consolidated Statements of Financial Position as of 31 March 2023
- Exhibit 2 - Consolidated Statements of Income and Consolidated Statements of Comprehensive Income for the Three Months Ended 31 March 2023 and 2022
- Exhibit 3 - Consolidated Statements of Changes in Equity for the Three Months Ended 31 March 2023 and 2022
- Exhibit 4 - Consolidated Statements of Cash Flows for the Three Months Ended 31 March 2023 and 2022
- Exhibit 5 - Notes to Interim Financial Information for the Three Months Ended 31 March 2023

### **Item 2. Management's Discussion and Analysis of the Financial Condition and Results of Operations**

Please refer to Exhibit 6 hereof.

### **Item 3. Aging of Accounts Receivables**

Please refer to Exhibit 7 hereof.

### **Item 4. Schedule of Financial Soundness Indicators**

Please refer to Exhibit 8 hereof.

## **PART II – OTHER INFORMATION**

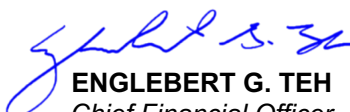
The Company is not in possession of information which have not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

### **SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**MREIT, INC.**  
Issuer

By:

  
**ENGLEBERT G. TEH**  
Chief Financial Officer  
12 May 2023

**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2023**  
*(With Comparative Figures as of December 31, 2022)*  
*(Amounts in Philippine Pesos)*

**EXHIBIT 1**

|                                      | <u>Notes</u> | <u>March 31, 2023</u><br><u>(Unaudited)</u> | <u>December 31, 2022</u><br><u>(Audited)</u> |
|--------------------------------------|--------------|---|--|
| <b><u>A S S E T S</u></b>            |              |   |  |
| <b>CURRENT ASSETS</b>                |              |   |  |
| Cash and cash equivalents            | 4            | <b>P 1,409,056,533</b>                      | P 1,380,526,060                              |
| Trade and other receivables          | 5            | <b>503,466,303</b>                          | 263,951,215                                  |
| Other current assets                 | 7            | <b>204,424,114</b>                          | 268,309,116                                  |
| Total Current Assets                 |              | <b>2,116,946,950</b>                        | 1,912,786,391                                |
| <b>NON-CURRENT ASSETS</b>            |              |   |  |
| Trade receivables                    | 5            | <b>104,109,033</b>                          | 45,889,816                                   |
| Investment properties                | 6            | <b>61,713,000,000</b>                       | 56,439,000,000                               |
| Other non-current assets             | 7            | <b>92,414,638</b>                           | 92,640,614                                   |
| Total Non-current Assets             |              | <b>61,909,523,671</b>                       | 56,577,530,430                               |
| <b>TOTAL ASSETS</b>                  |              | <b>P 64,026,470,621</b>                     | P 58,490,316,821                             |
| <b><u>LIABILITIES AND EQUITY</u></b> |              |   |  |
| <b>CURRENT LIABILITIES</b>           |              |   |  |
| Accounts and other payables          | 8            | <b>P 677,740,095</b>                        | P 493,988,323                                |
| Deposits and other liabilities       | 9            | <b>296,655,272</b>                          | 266,074,302                                  |
| Total Current Liabilities            |              | <b>974,395,367</b>                          | 760,062,625                                  |
| <b>NON-CURRENT LIABILITIES</b>       |              |   |  |
| Interest-bearing loan                | 10           | <b>7,202,586,343</b>                        | 7,201,241,354                                |
| Deposits and other liabilities       | 9            | <b>1,076,593,728</b>                        | 1,010,783,749                                |
| Total Non-current liabilities        |              | <b>8,279,180,071</b>                        | 8,212,025,103                                |
| Total Liabilities                    |              | <b>9,253,575,438</b>                        | 8,972,087,728                                |
| <b>EQUITY</b>                        |              |   |  |
| Capital stock                        | 12           | <b>P 2,795,821,381</b>                      | 2,532,121,381                                |
| Additional paid-in capital           | 12           | <b>52,782,813,885</b>                       | 47,907,466,035                               |
| Deficit                              |              | <b>( 805,740,083 )</b>                      | ( 921,358,323 )                              |
| Total Equity                         |              | <b>54,772,895,183</b>                       | 49,518,229,093                               |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |              | <b>P 64,026,470,621</b>                     | P 58,490,316,821                             |

*See Notes to Financial Statements.*

**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**  
(Amounts in Philippine Pesos)  
**(UNAUDITED)**

**EXHIBIT 2**

|                                     | <u>Notes</u> | <u>2023</u>                 | <u>2022</u>                 |
|-------------------------------------|--------------|-----------------------------|-----------------------------|
| <b>REVENUES</b>                     |              |                             |                             |
| Rental income                       | 6            | <b>P 811,510,308</b>        | P 742,725,059               |
| Income from dues - net              |              | <u>224,411,108</u>          | <u>158,841,045</u>          |
|                                     |              | <b>1,035,921,416</b>        | 901,566,104                 |
| <b>COST OF SERVICES</b>             | 7, 11        | <u>217,303,600</u>          | <u>132,345,708</u>          |
| <b>GROSS PROFIT</b>                 |              | <b>818,617,816</b>          | 769,220,396                 |
| <b>OTHER OPERATING EXPENSES</b>     |              | <u>20,197,279</u>           | <u>7,597,833</u>            |
| <b>OPERATING PROFIT</b>             |              | <u>798,420,537</u>          | <u>761,622,563</u>          |
| <b>OTHER INCOME (CHARGES) - NET</b> |              |                             |                             |
| Interest Expense                    | 10           | ( 75,242,623 )              | ( 76,730,751 )              |
| Interest Income                     | 4, 7         | 8,866,227                   | 2,791,855                   |
| Others                              |              | <u>84,821</u>               | <u>7,748</u>                |
|                                     |              | ( <u>66,291,575</u> )       | ( <u>73,931,148</u> )       |
| <b>PROFIT BEFORE TAX</b>            |              | <b>732,128,962</b>          | 687,691,415                 |
| <b>TAX EXPENSE</b>                  |              | ( <u>1,711,651</u> )        | ( <u>520,639</u> )          |
| <b>NET PROFIT</b>                   |              | <b>730,417,311</b>          | 687,170,776                 |
| <b>OTHER COMPREHENSIVE INCOME</b>   |              | <u>-</u>                    | <u>-</u>                    |
| <b>TOTAL COMPREHENSIVE INCOME</b>   |              | <u><b>P 730,417,311</b></u> | <u><b>P 687,170,776</b></u> |
| <b>BASIC AND DILUTED EARNINGS</b>   |              |                             |                             |
| PER SHARE                           | 13           | <u><b>P 0.26</b></u>        | <u><b>P 0.27</b></u>        |

*See Notes to Financial Statements.*

MREIT, INC.  
*(A Subsidiary of Megaworld Corporation)*  
**INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

**EXHIBIT 3**

|                                      | <u>Notes</u> | <u>2023</u>                    | <u>2022</u>                    |
|--------------------------------------|--------------|--------------------------------|--------------------------------|
| <b>CAPITAL STOCK</b>                 |              |                                |                                |
| Balance at beginning of period       |              | <b>P 2,532,121,381</b>         | P 2,532,121,381                |
| Issuance of shares during the period | 12           | <u>263,700,000</u>             | <u>-</u>                       |
| Balance at end of period             |              | <u>2,795,821,381</u>           | <u>2,532,121,381</u>           |
| <b>ADDITIONAL PAID-IN CAPITAL</b>    |              |                                |                                |
| Balance at beginning of period       |              | 47,907,466,035                 | 47,907,466,035                 |
| Addition during the period           | 12           | <u>4,875,347,850</u>           | <u>-</u>                       |
| Balance at end of period             |              | <u>52,782,813,885</u>          | <u>47,907,466,035</u>          |
| <b>RETAINED EARNINGS (DEFICIT)</b>   |              |                                |                                |
| Balance at beginning of period       |              | ( 921,358,323 )                | 1,721,734,662                  |
| Net profit during the period         |              | 730,417,311                    | 687,170,776                    |
| Dividends declared during the period | 12           | ( <u>614,799,071</u> )         | ( <u>607,455,919</u> )         |
| Balance at end of period             |              | ( <u>805,740,083</u> )         | <u>1,801,449,519</u>           |
| <b>TOTAL EQUITY</b>                  |              | <b><u>P 54,772,895,183</u></b> | <b><u>P 52,241,036,935</u></b> |

*See Notes to Financial Statements.*

**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

**EXHIBIT 4**

|   | <u>Notes</u> | <u>2023</u>     | <u>2022</u>     |
|---|--------------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |              |                 |                 |
| Profit before tax                                     |              | P 732,128,962   | P 687,691,415   |
| Adjustments for:                                      |              |                 |                 |
| Interest expense                                      | 9, 10        | 75,242,623      | 76,730,751      |
| Interest income                                       | 4, 7         | ( 8,866,227 )   | ( 2,791,855 )   |
| Operating profit before working capital changes       |              | 798,505,358     | 761,630,311     |
| Increase in trade and other receivables               |              | ( 297,832,864 ) | ( 42,290,080 )  |
| Increase (decrease) in other current assets           |              | 63,885,002      | ( 50,151,081 )  |
| Decrease in other non-current assets                  |              | 426,257         | 419,848         |
| Increase in accounts and other payables               |              | 183,751,772     | 72,221,600      |
| Increase (decrease) in deposits and other liabilities |              | 88,403,065      | ( 9,897,518 )   |
| Cash generated from operations                        |              | 837,138,590     | 731,933,080     |
| Interest received                                     |              | 8,764,505       | 2,524,044       |
| Final tax paid  |              | ( 1,711,651 )   | ( 520,639 )     |
| Net Cash From Operating Activities                    |              | 844,191,444     | 733,936,485     |
| <b>CASH FLOW FROM AN INVESTING ACTIVITY</b>           |              |                 |                 |
| Acquisition of property and equipment                 |              | -               | ( 76,983 )      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |              |                 |                 |
| Dividends paid  | 12           | ( 614,799,071 ) | ( 607,455,919 ) |
| Payment for stock issuance cost                       |              | ( 134,952,150 ) | -               |
| Interest paid   | 10           | ( 65,909,750 )  | ( 65,909,750 )  |
| Net Cash Used in Financing Activities                 |              | ( 815,660,971 ) | ( 673,365,669 ) |
| <b>NET INCREASE IN</b>                                |              |                 |                 |
| <b>CASH AND CASH EQUIVALENTS</b>                      |              | 28,530,473      | 60,493,833      |
| <b>CASH AND CASH EQUIVALENTS</b>                      |              |                 |                 |
| <b>AT BEGINNING OF PERIOD</b>                         |              | 1,380,526,060   | 1,333,805,607   |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>     |              |                 |                 |
|   |              | P 1,409,056,533 | P 1,394,299,440 |

**Supplemental Information on Non-cash Investing and Financing Activity —**

In 2023, the Company and Megaworld Corporation (the Parent Company) entered into a property-for-share swap transaction where the Parent Company transferred certain real properties to the Company amounting to P5,274.0 million. In exchange for the properties transferred, the Company issued 263,700,000 common shares with to the Parent Company which resulted in recognition of Capital Stock and Additional Paid-in Capital amounting to P263.7 million and P4,875.3 million, respectively (see Note 6 and 12).

*See Notes to Financial Statements.*



**MREIT, INC.**  
*(A Subsidiary of Megaworld Corporation)*  
**SELECTED EXPLANATORY NOTES TO**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023**  
*(With Comparative Figures as of December 31, 2022*  
*and for the three months ended March 31, 2022)*  
*(Amounts in Philippines Pesos)*  
*(Unaudited)*

## 1. GENERAL INFORMATION

MREIT, 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 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.

The Company is a subsidiary of Megaworld Corporation Inc. (MC) or the Parent Company owning 65.67% of the Company's outstanding capital stock.

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.

On April 7, 2021, majority of the members of the BOD and stockholders of the Company approved the amendments to the Articles of Incorporation and By-Laws of the Company, including the 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. The SEC and the Bureau of Internal Revenue (BIR) approved the amendments to the Company's Articles of Incorporation and By-Laws on May 19, 2021 and May 20, 2021, respectively.

On September 30, 2021, the BOD approved the change in the Company's accounting period to begin on the first day of January and end on the last day of December of each year. The Company applied with the SEC for an amendment of its By-laws in October 2021. The SEC and the BIR approved the change on November 4, 2021 and November 25, 2021, respectively.

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 Company's share of stock are listed and traded in the Philippine Stock Exchange (PSE). MC and AGI are also publicly-listed entities in the Philippines.

## 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. These policies have been consistently applied to the periods presented, unless otherwise stated.

### 2.1 *Basis of Preparation of Condensed Interim Financial Statements*

#### (a) *Statement of Compliance with Philippine Financial Reporting Standards*

The condensed interim financial statements of the Company for the three months ended March 31, 2023 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements of the Company as at and for the period ended December 31, 2022.

The preparation of condensed interim financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These condensed interim financial statements are presented in Philippine peso, the functional and presentation currency of the Company, and all values represent absolute amounts except when otherwise indicated.

### 2.2 *Adoption of New and Amended PFRS*

#### (a) *Effective in 2023 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

|  |   |   |
|--|---|---|
| PAS 1 (Amendments)                                     | : | Presentation of Financial Statements –<br>Classification of Liabilities as Current<br>or Non-current  |
| PAS 1 and PFRS<br>Practice Statement 2<br>(Amendments) | : | Presentation of Financial Statements –<br>Disclosure of Accounting Policies                           |
| PAS 8 (Amendments)                                     | : | Income Taxes – Deferred Tax Related to<br>Assets and Liabilities Arising from a<br>Single Transaction |
| PAS 12 (Amendments)                                    | : | Income Taxes – Deferred Tax Related to<br>Assets and Liabilities Arising from a<br>Single Transaction |

Discussed below are the relevant information about these pronouncements. None of these amendments did not have a significant impact on the interim financial statements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. 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.
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates*. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of PAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

(b) *Effective in 2023 that are not Relevant to the Company*

Among the new standards and amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2023, only PFRS 17, *Insurance Contracts* is not relevant to the Company.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the condensed interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last audited financial statements as at and for the period ended December 31, 2022.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

|                          | March 31,<br>2023<br><u>(Unaudited)</u> | December 31,<br>2022<br><u>(Audited)</u> |
|--------------------------|---|--|
| Cash on hand and in bank | P 696,438,184                           | P 724,400,562                            |
| Short-term placements    | <u>712,618,349</u>                      | <u>656,125,498</u>                       |
|                          | <u>P 1,409,056,533</u>                  | <u>P 1,380,526,060</u>                   |

Cash in bank generally earns interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 30 to 44 days and earn effective interest of 0.5% to 6%.

Interest earned from cash in bank and short-term placements for the three months ended March 31, 2023 and 2022 amounted to P8.7 million and P2.6 million, respectively. Interest earned is presented as part of Interest Income in the interim statements of comprehensive income.

#### 5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

|                         | March 31,<br>2023<br><u>(Unaudited)</u> | December 31,<br>2022<br><u>(Audited)</u> |
|-------------------------|---|--|
| Current                 |   |  |
| Trade receivables:      |   |  |
| Billed                  | P 133,180,856                           | P 104,289,531                            |
| Accrued                 | 108,980,384                             | 148,321,339                              |
| Due from parent company | 207,263,800                             | -  |
| Others                  | <u>54,041,263</u>                       | <u>11,340,345</u>                        |
|                         | 503,466,303                             | 263,951,215                              |
| Non-current –           |   |  |
| Trade receivables –     |   |  |
| Accrued                 | <u>104,109,033</u>                      | <u>45,889,816</u>                        |
|                         | <u>P 607,575,336</u>                    | <u>P 309,841,031</u>                     |

Due from parent company are inclusive of security deposits, advance rentals and unremitted collections from the rental of prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in the beginning of the year.

Accrued receivables pertain 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, including dues. These are noninterest-bearing and are generally collectible on 30-day term.

All trade and other receivables are subject to credit risk exposure. However, there was no impairment losses recognized for the reporting periods presented as management believes that the remaining receivables are fully collectible.

## 6. INVESTMENT PROPERTIES

The Company's investment properties include several buildings for mixed use, which are being leased out as office, retail and hotel, including the hotel's parking spaces.

A reconciliation of the carrying amounts of investment properties is presented below.

|                                | <b>March 31,<br/>2023<br/>(Unaudited)</b> | December 31,<br>2022<br>(Audited) |
|--------------------------------|---|-----------------------------------|
| Balance at beginning of period | <b>P 56,439,000,000</b>                   | P 59,261,000,000                  |
| Additions                      | <b>5,274,000,000</b>                      | -                                 |
| Fair value losses              | <u>-</u>                                  | ( <u>2,822,000,000</u> )          |
| Balance at end of period       | <b><u>P 61,713,000,000</u></b>            | <u>P 56,439,000,000</u>           |

As of March 31, 2023 and December 31, 2022, the Company has a total of 18 and 14 investment properties, respectively. The Company's investment properties as of March 31, 2023 are as follows:

Located at McKinley Hill, Fort Bonifacio, Taguig City:

One World Square  
Two World Square  
Three World Square  
8/10 Upper McKinley Building  
18/20 Upper McKinley Building  
World Finance Plaza  
One West Campus (80% owned pro indiviso)  
Five West Campus (80% owned pro indiviso)

Located at Eastwood, Quezon City:

1880 Eastwood Avenue  
1800 Eastwood Avenue  
E-Commerce Plaza

Located at Iloilo Business Park, Iloilo City:

Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower  
One Techno Place  
Two Techno Place  
Three Techno Place  
One Global Center  
Two Global Center  
Festive Walk 1B

On March 23, 2023, the SEC issued its confirmation of valuation of the four prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in payment of its subscription to 263,700,000 common shares of the Company pursuant to the Deed of Exchange of Property for Shares dated April 5, 2022. Accordingly, the subject properties were transferred to the Company, and 263,700,000 common shares of the Company were issued in the name of MC on March 31, 2023. Pursuant to the amended Deed of Exchange of Property for Shares for this transaction, the Company recognized the income from the four properties beginning January 1, 2023.

The details of the assets transferred to the Company are presented below.

|   | <u>Ownership</u> |
|---|------------------|
| Two Global Center, Megaworld Blvd. and Enterprise Rd.,<br>Iloilo Business Park, Manduriao Iloilo City | 100%             |
| Festive Walk 1B, Lot 5 Buhang Taft North Manduriao,<br>Iloilo City                                    | 100%             |
| One West Campus, 5 Le Grand Avenue, McKinley West,<br>Fort Bonifacio, Taguig City                     | 80% pro indiviso |
| Five West Campus, 15 Le Grand Avenue, McKinley West,<br>Fort Bonifacio, Taguig City                   | 80% pro indiviso |

For the three months ended March 31, 2023 and 2022, rental income from investment properties amounted to P811.5 million and P742.7 million, respectively.

The direct operating costs incurred relating to investment properties, which pertains to repairs and maintenance and real property taxes, amounted to P46.6 million, P7.2 million for the three months ended March 31, 2023 and, 2022, respectively. All investment properties generate rental income.

The fair values of the investment properties were determined based on the latest appraisal reports by an independent real property appraiser, which uses the income approach (see Note 17.3).

## 7. OTHER ASSETS

The Company's other assets consist of the following:

|                                      | <b>March 31,<br/>2023<br/>(Unaudited)</b> | December 31,<br>2022<br>(Audited) |
|--------------------------------------|---|-----------------------------------|
| Current:                             |   |                                   |
| Prepaid expenses                     | <b>P 71,224,004</b>                       | P 156,894,776                     |
| Creditable withholding taxes         | <b>87,323,838</b>                         | 78,876,441                        |
| Deferred input value added tax (VAT) | <b><u>45,876,272</u></b>                  | <u>32,537,899</u>                 |
| <i>Balance carried forward</i>       | <b><u>P 204,424,114</u></b>               | <u>P 268,309,116</u>              |

|                                | <b>March 31,<br/>2023<br/>(Unaudited)</b> | <b>December 31,<br/>2022<br/>(Audited)</b> |
|--------------------------------|---|--|
| <i>Balance brought forward</i> | <b><u>P 204,424,114</u></b>               | <b><u>P 268,309,116</u></b>                |
| Non-current:                   |   |  |
| Deferred charges               | <b>55,613,559</b>                         | 56,033,405                                 |
| Security deposit               | <b>19,688,743</b>                         | 19,488,462                                 |
| Other non-current asset        | <b><u>17,112,336</u></b>                  | <u>17,118,747</u>                          |
|                                | <b><u>92,414,638</u></b>                  | <u>92,640,614</u>                          |
|                                | <b><u>P 296,838,752</u></b>               | <b><u>P 360,949,730</u></b>                |

Security deposit is related to the lease of certain parcels of land on which the investment properties stand (see Note 11.2). The related interest income recognized from subsequent amortization of the security deposit is presented as part of Interest income under Other Income (Charges) - net section in the interim statements of comprehensive income.

Deferred charges pertain to the difference between the nominal values of the security deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method. Amortization of deferred charges is presented as part of Cost of Services account in the interim statements of comprehensive income. Other non-current asset consists of office machinery-net and advance payment to contractors for aircon related repairs and enhancement.

## **8. ACCOUNTS AND OTHER PAYABLES**

The details of this account are as follows:

|                           | <b>March 31,<br/>2023<br/>(Unaudited)</b> | <b>December 31,<br/>2022<br/>(Audited)</b> |
|---------------------------|---|--|
| Notes                     |   |  |
| Accounts payable          | <b>P 555,308,296</b>                      | P 411,064,691                              |
| Accrued expenses          | <b>54,791,622</b>                         | 53,027,572                                 |
| Deferred output VAT       | <b>38,583,658</b>                         | 4,524,528                                  |
| Output VAT payable        | <b>14,852,338</b>                         | 9,406,429                                  |
| Interest payable          | <b>8,055,636</b>                          | 8,055,636                                  |
| Withholding taxes payable | <b>6,135,467</b>                          | 6,076,519                                  |
| Others                    | <b><u>13,078</u></b>                      | <u>1,832,948</u>                           |
|                           | <b><u>P 677,740,095</u></b>               | <b><u>P 493,988,323</u></b>                |

**9. DEPOSITS AND OTHER LIABILITIES**

The details of this account are as follows:

|                   | Note | March 31,<br>2023<br>(Unaudited) | December 31,<br>2022<br>(Audited) |
|-------------------|------|----------------------------------|-----------------------------------|
| Current:          |      |                                  |                                   |
| Advance rent      | 11.1 | P 165,787,932                    | P 152,740,389                     |
| Security deposits | 11.1 | 124,487,108                      | 107,491,807                       |
| Deferred credits  |      | <u>6,380,232</u>                 | <u>5,841,656</u>                  |
| Non-current:      |      |                                  |                                   |
| Security deposits | 11.1 | 670,554,588                      | 605,347,267                       |
| Advance rent      | 11.1 | 333,265,624                      | 327,114,762                       |
| Deferred credits  |      | <u>72,773,516</u>                | <u>78,321,720</u>                 |
|                   |      | <u>1,076,593,728</u>             | <u>1,010,783,749</u>              |
|                   |      | <u>P 1,373,249,000</u>           | <u>P 1,276,858,051</u>            |

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligations under the lease contracts. These are equivalent to three months' rent for office and six months' rent for commercial spaces and will be refunded to the lessee at the end of the lease term.

**10. INTEREST-BEARING LOAN**

In December 2021, the Company obtained an unsecured, 10-year, P7.25 billion term loan from a local bank to finance the acquisition of investment properties (see Note 6). The principal is payable quarterly in installment beginning on the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly at 3.64% per annum subject to repricing on December 2024.

The Company is required to maintain certain financial ratios to comply with its debt covenants with a certain local bank. As of March 31, 2023 and December 31, 2022, the Company is in compliance with such financial covenant obligations.

The related interest incurred amounted to P65.9 million for the three months ended March 31, 2023 and 2022, and this is presented as part of Interest Expense in the interim statement of comprehensive income. The related accrual is presented as Interest payable under Accounts and Other Payables in the statements of financial position (see Note 8).



## 11. RELATED PARTY TRANSACTIONS

The Company's related parties include the Parent Company and related parties under common ownership. A summary of the Company's transactions and outstanding balances with its related parties is presented below.

| Related Party                          |         | Amount of Transaction |                   | Outstanding                               |                      |
|--|---------|-----------------------|-------------------|---|----------------------|
|  |         | March 31,<br>2023     | March 31,<br>2022 | Receivable (Payable)<br>March 31,<br>2023 | December 31,<br>2022 |
| Category                               | Notes   | (Unaudited)           | (Unaudited)       | (Unaudited)                               | (Audited)            |
| Parent Company:                        |         |                       |                   |   |                      |
| Property-for-share swap                | 5, 11.4 | P 207,263,800         | P -               | P 207,263,800                             | P -                  |
| Rendering of services                  | 11.1    | 40,669,770            | 52,581,645        | 62,079,726                                | 30,071,019           |
| Advance rent                           | 11.1    | -                     | -                 | ( 3,713,545)                              | ( 3,713,545)         |
| Security deposits received             | 11.1    | -                     | -                 | ( 27,097,524)                             | ( 27,097,524)        |
| Security deposits paid                 | 11.2    | -                     | 1,288,659         | 19,688,743                                | 35,285,424           |
| Related parties under common ownership |         |                       |                   |   |                      |
| Advance rent                           | 11.1    | ( 10,914,639)         | ( 96,529)         | ( 19,628,386)                             | ( 8,713,747)         |
| Security deposits received             | 11.1    | -                     | ( 2,150,641)      | ( 25,128,472)                             | ( 25,128,472)        |
| Rendering of services                  | 11.1    | 31,928,349            | 31,996,008        | 64,261,652                                | 54,249,565           |
| Management services                    | 11.3    | ( 56,975,678)         | ( 49,586,136)     | ( 179,142,056)                            | ( 146,452,966)       |
| Key management personnel –             |         |                       |                   |   |                      |
| Compensation                           | 11.5    | 1,367,455             | 1,367,445         | -   | -                    |

### 11.1 Rendering of Services to Related Parties

The Company leases some of its investment properties to the Parent Company and 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 5 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 under Revenues section in the condensed interim statements of comprehensive income. The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade receivables under the Trade Receivables account in the statements of financial position (see Note 5) impairment disclosure. 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 statements of financial position (see Note 9).

### 11.2 Land Lease Agreement

In 2021, the Company entered into a land lease agreement with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay MC rent equivalent to: (a) 2.5% of gross rental income for office, retail and commercial properties for the period July 1, 2023 and until June 30 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period July 1, 2023 and until June 30 2025, and 3% thereafter.

Deposit paid by the Company from the land lease agreement was presented as Security deposit under Other Non-current Assets in the statements of financial position (see Note 7). This deposit will be refunded at the end of the lease term at its face value amounting to P77.0 million.

**11.3 Management Services**

The fund management function of the Company is handled by MREIT Fund Managers, Inc., a subsidiary of MC, in exchange for a fee. Management fee is payable annually equivalent to 3.5% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The operations and management of the properties and facilities of the Company are handled by MREIT Property Managers, Inc., a subsidiary of MC, in exchange for a fee. Property management fee is payable quarterly equivalent to 2% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The Company recognized a total of P57.0 million and P49.6 million management fees for the three months ended March 31, 2023 and 2022, respectively, which is presented as part of Cost of Services in the interim statements of comprehensive income. The outstanding balance of P146.5 million as of March 31, 2023 and P146.5 million as of December 31, 2022 is presented as part of Accounts payable under Accounts and Other Payables account in the interim statements of financial position (see Note 8).

**11.4 Property-for-share swap**

Pursuant to the Amended Deed of Exchange of Property for Shares between the Company and MC (see Note 6), all collections of rental fees, security deposits and advanced rent from January 1, 2023 on the covered properties shall be remitted by MC to the Company. The breakdown of the unremitted collections are presented as Due from Parent Company account under trade and other receivables as of March 31, 2023 as follows (see Note 5):

|                         |          |                           |
|-------------------------|----------|---------------------------|
| Security deposits       | P        | 92,030,171                |
| Rendering of services   |          | 91,767,133                |
| Advance rent            |          | <u>23,466,496</u>         |
| Due from Parent Company | <b>P</b> | <b><u>207,263,800</u></b> |

**11.5 Key Management Personnel Compensation**

Key management personnel compensation pertains to payment for outsourced management services included within Outside services under Other Operating Expenses.

## 12. EQUITY

### *12.1 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 to and paid for 12,400,000 shares with par value of P100 per share or a total of P1,240,000,000.

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 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. On May 19, 2021, the Company obtained approval of the amendments from the SEC (see Note 1).

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.

On June 2, 2021, on consummation of the Deed of Exchange of Property and Shares in relation to the Property-for-Share Swap transaction with MC, the Company issued 1,282,120,381 common shares at par value of P1 per share (see Notes 1 and 6). In addition, the Company recognized APIC amounting to P47,920,287,239, less shares issuance costs amounting to P12.8 million.

On June 16, 2021, the Company filed its application with the PSE for the listing of its 2,532,121,381 existing common shares. The listing application was approved by PSE on August 9, 2021 which includes the Secondary Offer Shares of 844,300 common shares with an Overallotment Option of up to 105,537,500 common shares to be offered and sold by MC to the public, under the Main Board of the PSE with an offer price of P16.10 per share. The PSE approved the listing application of the Company on August 9, 2021.

Also on June 16, 2021, the Company filed a Registration Statement covering the registration of 2,532,121,381 existing common shares, in accordance with the requirements of the SEC's Securities Regulation Code. The Registration Statement was rendered effective on September 13, 2021.

On October 1, 2021, the common shares of the Company were listed as a REIT company under the Main Board of the PSE.

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones. On March 23, 2023, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on March 31, 2023, the Company issued 263,700,000 common shares. The Company will apply for the listing of the additional shares with the PSE within the second quarter of 2023.

As of March 31, 2023, there are 24,365 shareholders of at least one board lot of the listed shares, which closed at P14.46 per share as of that date.

**12.2 Dividends**

On March 4, 2022, the BOD approved the declaration of cash dividends of P0.2399 per share (P607.5 million) to stockholders on record as of March 18, 2022. The dividends were declared out of the unrestricted retained earnings for the year ending December 31, 2021. The cash dividends were paid on March 31, 2022.

On January 4, 2023, the BOD approved the declaration of cash dividends of P0.2399 per share (P614.8 million) to stockholders on record as of January 24, 2023. The dividends were declared out of the unrestricted earnings for the year ending December 31, 2022. The cash dividends were paid on February 15, 2023.

**12.3 Distributable Income**

The computation of the distributable income of the Company for the months ended March 31, 2023 is shown in the succeeding page.

|  |          |                           |
|--|----------|---------------------------|
| Net income   | P        | 730,417,311               |
| Unrealized gains or adjustments to income<br>as a result of certain transactions<br>accounted for under PFRS | (        | 27,276,695)               |
| Adjustments due to any prescribed accounting<br>Standard which result to a loss                              |          | <u>9,752,719</u>          |
| Distributable income   | <b>P</b> | <b><u>712,893,337</u></b> |

**13. EARNINGS PER SHARE**

Basic and diluted earnings per share amounts were computed as follows:

|  | <b>March 31,<br/>2023<br/>(Unaudited)</b> | <b>March 31,<br/>2022<br/>(Unaudited)</b> |
|--|---|---|
| Net profit for the period                                  | <b>P 730,417,311</b>                      | P 687,170,776                             |
| Divided by weighted number<br>Of outstanding common shares | <b><u>2,795,821,381</u></b>               | <u>2,532,121,381</u>                      |
| Basic and diluted earnings (loss)<br>per share             | <b><u>P 0.26</u></b>                      | <u>P 0.27</u>                             |

The Company has no potential dilutive common shares as of three months ended March 31, 2023 and 2022.

**14. COMMITMENTS AND CONTINGENCIES****14.1 Operating Lease Commitments – Company as a Lessor**

The Company is a lessor under several operating leases covering real estate properties for office and commercial use (see Note 6). The future minimum lease receivable under these agreements as of March 31, 2023 and December 31, 2022 are shown in the succeeding page.

|   | March 31,<br>2023<br><u>(Unaudited)</u> | March 31,<br>2022<br><u>(Unaudited)</u> |
|---|---|---|
| Within one year                                   | P 3,221,124,283                         | P 2,981,191,290                         |
| After one year but not more than<br>two years     | 2,907,994,706                           | 2,497,739,835                           |
| After two years but not more than<br>three years  | 2,223,184,050                           | 1,875,531,163                           |
| After three years but not more than<br>four years | 1,340,245,360                           | 1,111,478,803                           |
| After four years but not more than<br>five years  | 637,364,996                             | 657,254,881                             |
| More than five years                              | <u>2,718,740,454</u>                    | <u>2,778,752,188</u>                    |
|   | <u>P 13,048,653,849</u>                 | <u>P 11,901,948,160</u>                 |

The Company 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 Company's 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 Company may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, the Company requires security deposits and advanced rentals representing three months' and six months' rent from office and commercial tenants, respectively (see Note 9).

#### ***14.2 Operating Lease Commitments – Company as a Lessee***

The Company entered into a land lease agreement with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years. (see Note 11.2). Variable lease payments will commence on July 1, 2023. The lease agreement do not contain any fixed lease payments. In addition, the lease agreement involves payment for security deposit (see Note 7).

#### ***14.3 Others***

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.

## 15. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 16. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close coordination with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial risks.

The Company does not engage in trading of financial assets for speculative purposes. The relevant financial risks to which the Company is exposed are discussed below and in the succeeding pages.

### 15.1 Market Risk

As of March 31, 2023 and December 31, 2022, the Company is exposed to market risk through its cash in banks, which are subject to changes in market interest rates. However, management believes that the related interest rate risk exposure is not significant. All other financial assets and financial liabilities are either noninterest-bearing or subject to fixed interest rates.

### 15.2 Credit Risk

The Company's credit risk is attributable to trade and other receivables and other financial assets. The Company maintains 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 Company's policy is to deal only with creditworthy counterparties. In addition, for trade receivables, 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 statement of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

|                             |              | <b>March 31,<br/>2023<br/>(Unaudited)</b> | December 31,<br>2022<br>(Audited) |
|-----------------------------|--------------|---|-----------------------------------|
|                             | <u>Notes</u> |   |                                   |
| Cash and cash equivalents   | 4            | <b>P 1,409,056,533</b>                    | P 1,380,526,060                   |
| Trade and other receivables | 5            | <b>607,575,336</b>                        | 309,841,031                       |
| Security deposit            | 7            | <b>19,688,743</b>                         | 19,488,462                        |
|                             |              | <b><u>P 2,036,320,612</u></b>             | <b><u>P 1,709,855,553</u></b>     |

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum of P0.5 million for every depositor per banking institution.

*(b) Trade and Other Receivables*

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The Company has just started its operation during the current period; hence, no historical information is available for the Company. In addition, management considers the ECL on the Company's trade and other receivables to be negligible taking into consideration the counterparties' ability to repay at the reporting date.

Furthermore, the Company considers credit enhancements in determining the expected credit loss. Trade receivables are collateralized by advance rental and security deposits received from lessees.

The estimated fair value of collateral and other security enhancements held against trade and other receivables as of December 31, 2022 and 2021 is presented below.

|                                   | <u>Gross<br/>Maximum<br/>Exposure</u> | <u>Fair<br/>Value of<br/>Collaterals</u> | <u>Net<br/>Exposure</u> |
|-----------------------------------|---------------------------------------|--|-------------------------|
| As of March 31, 2023 (Unaudited)  | <u>P 607,575,336</u>                  | <u>P 1,492,123,614</u>                   | <u>P -</u>              |
| As of December 31, 2022 (Audited) | <u>P 309,841,031</u>                  | <u>P 1,192,694,675</u>                   | <u>P -</u>              |

*(c) Security Deposit*

The credit risk for security deposit is considered negligible as the Company has ongoing lease agreement with the counterparty and the latter is considered to be with sound financial condition and sufficient liquidity. The security deposit can also be applied against future rental payments in cases of default.

**15.3 Liquidity Risk**

The Company 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-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 Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities.

As at March 31, 2023 and December 31, 2022, the Company's financial liabilities have contractual maturities which are presented below.

|   |          | <u>Within<br/>1 Year</u>  | <u>1 to 5<br/>Years</u>     | <u>More than<br/>5 Years</u> |
|---|----------|---------------------------|-----------------------------|------------------------------|
| <b><u>March 31, 2023 (unaudited)</u></b>  |          |                           |                             |                              |
| Interest-bearing loan                     | P        | 260,877,794               | P 1,096,496,493             | P 8,160,880,615              |
| Security deposits                         |          | 80,283,620                | 624,904,157                 | 81,250,993                   |
| Accounts payable                          |          | 555,308,296               | -                           | -                            |
| Accrued expenses                          |          | <u>54,791,622</u>         | <u>-</u>                    | <u>-</u>                     |
|   | <b>P</b> | <b><u>951,21,332</u></b>  | <b><u>1,721,400,650</u></b> | <b><u>8,242,131,608</u></b>  |
| <b><u>December 31, 2022 (audited)</u></b> |          |                           |                             |                              |
| Interest-bearing loan                     | P        | 260,116,227               | P 1,087,645,108             | P 8,234,613,600              |
| Security deposits                         |          | 188,900,183               | 535,675,064                 | 73,381,164                   |
| Accounts payable                          |          | 411,064,691               | -                           | -                            |
| Accrued expenses                          |          | <u>53,027,572</u>         | <u>-</u>                    | <u>-</u>                     |
|   | <b>P</b> | <b><u>913,108,674</u></b> | <b><u>1,623,320,172</u></b> | <b><u>8,307,994,764</u></b>  |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

## 16. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 16.1 Carrying Amounts and Fair Value by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

|  |       | March 31, 2023 (Unaudited)    |                               | December 31, 2022 (Audited)   |                               |
|--|-------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | Notes | Carrying Values               | Fair Values                   | Carrying Values               | Fair Values                   |
| <b>Financial assets</b>                  |       |                               |                               |                               |                               |
| Financial assets at amortized cost:      |       |                               |                               |                               |                               |
| Cash and cash equivalents                | 4     | P 1,409,056,533               | P 1,409,056,533               | P 1,380,526,060               | P 1,380,526,060               |
| Trade and other receivables              | 5     | 607,575,336                   | 607,575,336                   | 309,841,031                   | 309,841,031                   |
| Security deposit                         | 7     | <u>19,688,743</u>             | <u>23,756,833</u>             | <u>19,488,462</u>             | <u>19,488,462</u>             |
|  |       | <u><b>P 2,036,320,612</b></u> | <u><b>P 2,040,388,702</b></u> | <u><b>P 1,709,855,553</b></u> | <u><b>P 1,709,855,553</b></u> |
| <b>Financial liabilities</b>             |       |                               |                               |                               |                               |
| Financial liabilities at amortized cost: |       |                               |                               |                               |                               |
| Interest-bearing loan                    | 10    | P 7,202,586,343               | P 7,202,586,343               | P 7,201,241,354               | P 7,201,241,354               |
| Security deposits                        | 9     | 795,041,696                   | 874,941,674                   | 712,839,074                   | 783,211,603                   |
| Accounts payable                         | 8     | 237,564,029                   | 237,564,029                   | 411,064,691                   | 411,064,691                   |
| Accrued expenses                         | 8     | 54,791,622                    | 54,791,622                    | 53,027,572                    | 53,027,572                    |
| Interest payable                         | 8     | <u>8,055,636</u>              | <u>8,055,636</u>              | <u>8,055,636</u>              | <u>8,055,636</u>              |
|  |       | <u><b>P 8,298,039,326</b></u> | <u><b>P 8,377,939,304</b></u> | <u><b>P 8,354,127,228</b></u> | <u><b>P 8,098,435,386</b></u> |

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 15.



**16.2 Offsetting of Financial Assets and Financial Liabilities**

Except for the offsetting of rental receivables and rental deposits arising from the normal course of the Company's leasing activities, the Company has not set off financial instruments 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 Company's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

**17. FAIR VALUE MEASUREMENT AND DISCLOSURE****17.1 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.

**17.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed**

The Company's financial assets which are not measured at fair value in the statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables and security deposit, which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to security deposits, accrued expenses 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.

### ***17.3 Fair Value Measurement of Investment Properties***

The fair value of the Company's investment properties are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the Company's investment properties (see Note 6) are determined on the basis of the appraisals performed by Santos Knight Frank, Inc., an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. Briefly describing the valuation method used, the approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the Properties. 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 Company's investment property is its current use.

Fair value as determined by independent appraisers are based on the Income Approach. Under the Income Approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment. The most common approach in valuing future economic benefits of a projected income stream is the discounted cash flows model. This valuation process of this model consists of the following: (a) estimation of the revenues generated; (b) estimation of the costs and expenses related to the operations of the development; (c) estimation of an appropriate discount rate; and (d) discounting process using an appropriate discount rate to arrive at an indicative fair value. The most significant inputs used in this model are the estimated expected future annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

The fair value is sensitive to changes in discount rate, terminal capitalization rate and market rental. A change in these unobservable inputs would have the following impact on fair value:

|                              | <u>Increase</u> | <u>Decrease</u> |
|------------------------------|-----------------|-----------------|
| Discount rate                | Decrease        | Increase        |
| Terminal capitalization rate | Decrease        | Increase        |
| Increase in market rental    | Increase        | Decrease        |

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

Also, there were no transfers into or out of Level 3 fair value hierarchy.

**18. 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. The Company's total liabilities and total equity are presented below.

|                   | <b>March 31,<br/>2023<br/>(Unaudited)</b> | <b>December 31,<br/>2022<br/>(Audited)</b> |
|-------------------|---|--|
| Total liabilities | <b>P 9,253,575,438</b>                    | P 8,972,087,278                            |
| Total equity      | <b>54,772,895,183</b>                     | 49,518,229,093                             |

Under REIT Act, the Company is subject to external capital requirement to have a minimum paid-up capital of P300.0 million which was complied with as of the reporting periods presented.

**19. OPERATING SEGMENT**

The Company has determined that it operates as one operating segment. The Company's only income-generating activity is the lease of its buildings which is the measure used by the Chief Operating Decision Maker in allocating resources.

## Management's Discussion and Analysis of Results of Operations and Financial Condition (March 31, 2023)

### Results of Operations (Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

#### *Review of three Months ending March 31, 2023 versus three Months Ending March 31, 2022*

In the three months ended March 31, 2023, the Company saw an increase in net income to Php730 million from Php687 million in the same period last year. The increase was mainly driven by the transfer of the four (4) Prime, Grade A office buildings located in PEZA-Registered Zones, in exchange for shares of stock in the Company.

#### **Revenues**

Rental income grew by 9% or Php68 million to Php811m in the first quarter of 2023 from Php742m in the first quarter of 2022. This includes rental from office, retail and hotel including the hotel's parking spaces. Income from dues-net increased by 41% or Php65 million to Php224.4 million from Php158 million. This includes primarily billings of Common Use Service Area (CUSA) fees and utilities usage to tenants. Increases in both items is mainly due to the recognition of the related rental income and income from due-net of the additional assets transferred to the Company.

#### **Cost and Expenses**

Cost of services also grew by 64% from Php217 million during the first quarter of 2023 from Php132m. The increase of cost of service in Q1 of 2023 comprises mainly on repairs and maintenance on the building improvements, management fees, real property tax and other direct cost with full recognition of expenses in four 4 new properties acquired.

Other operating expenses increased by 166% due to the one-time expense incurred in relation to the confirmation of valuation sought from the SEC for the property for share swap transaction.

#### **Tax Expense**

Tax expense increased by 229% to Php1.7 million due to the higher final taxes arising from the higher interest income generated from the Company's short term placement.

|                                       | <b>March 31, 2023</b> | <b>December 31, 2022</b> |
|---------------------------------------|-----------------------|--------------------------|
| Current Ratio <sup>1</sup>            | 2.17                  | 2.52                     |
| Debt to Equity Ratio <sup>2</sup>     | 0.13                  | 0.16                     |
| Net Debt to Equity Ratio <sup>3</sup> | 0.14                  | 0.13                     |
| Return on Assets <sup>4</sup>         | 1.19%                 | -0.30%                   |
| Return on Equity <sup>5</sup>         | 1.40%                 | -0.35%                   |

\*1 – Current Assets / Current Liabilities

\*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

\*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

## EXHIBIT 6

- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

### *Material Changes in the Financial Statements*

#### **(Increase/decrease of 5% or more)**

#### **Statement of Financial Position (March 31, 2023 vs December 31, 2022)**

| Item                           | March 31, 2023   | Increase/<br>Decrease | %<br>Change | Causes  |
|--------------------------------|------------------|-----------------------|-------------|---|
| Trade and other receivables    | 607,575,335.82   | 297,734,304.82        | 96%         | Increase due to assignment of receivables, security deposits and advance rentals arising from the infusion of additional four (4) office assets as part of the Property for Share swap transaction  |
| Other current assets           | 204,424,114.00   | (63,885,002.00)       | (24%)       | Decrease due to the reduction on the balance of various prepayments   |
| Accounts and other payables    | 677,740,095.59   | 183,751,772.59        | 37%         | Increase due to rise in fund and property management fees, and other payables such as trade, output vat and deferred output vat payable related to the addition of the four (4) office assets during the quarter  |
| Deposits and other liabilities | 1,076,593,728.52 | 65,809,979.52         | 7%          | Increase due to assignment of deposits and advance rentals arising from the infusion of additional four (4) office assets   |
| Investment properties          | 61,713,000,000   | 5,274,000,000.00      | 10%         | Increase due to the infusion of additional four (4) office assets as part of the Property for Share Swap transaction. The SEC issued its confirmation of valuation for the properties in March 23, 2023 triggering the issuance of new shares and the injection of said assets. |
| Capital stock                  | 2,795,821,381.00 | 263,700,000.00        | 10%         |   |
| Additional Paid In Capital     | 52,782,813,885   | 4,875,347,850.00      | 10%         |   |
| Retained earnings (deficit)    | (805,740,083.00) | 115,618,240.00        | (13%)       | Movement in retained earnings due to the undistributed net income recognized during the quarter   |

## EXHIBIT 6

### Statement of Income (March 31, 2023 vs March 31, 2022)

| Item                     | Mar 31, 2023<br>(3 Months) | Increase/<br>Decrease | %<br>Change | Causes   |
|--------------------------|----------------------------|-----------------------|-------------|--|
| Rental income            | 811,510,307.80             | 68,785,248.55         | 9%          | Increase in revenue is due to the recognition of additional income coming from the four (4) office assets infused during the quarter   |
| Income from dues - net   | 224,411,108.44             | 65,570,063.05         | 41%         |  |
| Cost of services         | 217,303,599.79             | 84,957,891.47         | 64%         | Increase is mainly due to various building improvements implemented in first quarter of 2023. In addition, outside services and management fees also increased due to the injection of additional properties |
| Other operating expenses | (20,197,279.23)            | (12,599,446.13)       | 166%        | Increase is primarily due to one-time payment of fees to the SEC as part of the requirements for the Property for Share Swap transaction   |
| Interest income          | 8,866,226.99               | 6,074,371.99          | 218%        | Increase due to interest earned from short-term placements   |
| Miscellaneous income     | 84,821.43                  | 77,073.43             | 995%        | Increase due to collection of penalties and non-recurring rental related income from tenants in the current quarter  |
| Tax Expenses             | (1,711,650.73)             | (1,191,011.68)        | 229%        | Increase is due to higher final tax expense alongside with the higher interest income earned from short term placements during the current period  |

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

**EXHIBIT 7**

**MREIT, INC.**  
**Aging of Accounts Receivables**  
**March 31, 2023**

| Type of Receivables: | Total              | Current/<br>Not Yet Due | Past Due but not Impaired |                   |                  |                  |                   | Individually<br>Impaired |
|----------------------|--------------------|-------------------------|---------------------------|-------------------|------------------|------------------|-------------------|--------------------------|
|                      |                    |                         | < 30 days                 | 30-60 days        | 61-90 days       | 91-120 days      | > 120 days        |                          |
| a. Trade receivables | 346,270,273        | 270,129,767             | 29,641,433                | 22,639,540        | 6,984,706        | 5,772,390        | 11,102,437        | -                        |
| b. Other receivable  | 261,305,063        | 261,253,063             | -                         | -                 | 20,000           | -                | 32,000            | -                        |
| <b>TOTAL</b>         | <b>607,575,336</b> | <b>531,382,830</b>      | <b>29,641,433</b>         | <b>22,639,540</b> | <b>7,004,706</b> | <b>5,772,390</b> | <b>11,134,437</b> | <b>-</b>                 |

| Ratio                        | Formula   | <u>March 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------|---|-----------------------|--------------------------|
| Current ratio                | Current assets / Current liabilities  | 2.17                  | 2.52                     |
| Acid test ratio              | Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)                     | 1.96                  | 2.16                     |
| Debt-to-equity ratio         | Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)** | 0.13                  | 0.15                     |
| Asset-to-equity ratio        | Total assets / Total stockholders' equity   | 1.17                  | 1.18                     |
|                              |   | <u>March 31, 2023</u> | <u>March 31, 2022</u>    |
| Solvency ratio               | EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**                     | 0.11                  | 0.11                     |
| Interest rate coverage ratio | EBIT / Total Interest (Total interest includes interest expense and capitalized interest)   | 10.71                 | 9.96                     |
| Return on equity             | Net profit / Average total stockholders' equity   | 0.01                  | 0.0100                   |
| Return on assets             | Net profit / Average total assets   | 0.01                  | 0.0100                   |
| Net profit margin            | Net profit / Total revenues   | 0.71                  | 0.7600                   |



## **Disclosures for REIT Companies<sup>1</sup>**

### **(a) Real Estate Transactions for Q1 2023**

On March 21, 2023, the Securities and Exchange Commission certified the approval of the valuation of the properties listed below, which were transferred, assigned and conveyed by Megaworld Corporation (“Megaworld”) absolutely in favor of the Company, in exchange for 263,700,000 common shares of the Company, with a par value of P1 per share and additional paid-in capital (APIC) of P5,010,300,000.00, or a total subscription price of P5,274,000,000.00. As agreed between the Company and Megaworld, the properties started contributing to the Company's revenues as of January 1, 2023.

| <b>Property</b>   | <b>Location</b> | <b>Percentage of Interest Transferred</b> | <b>Valuation* (Php)</b> |
|-------------------|-----------------|---|-------------------------|
| One West Campus   | Taguig City     | 80% pro indiviso ownership                | 1,697,000,000.00        |
| Five West Campus  | Taguig City     | 80% pro indiviso ownership                | 1,895,000,000.00        |
| Festive Walk 1B   | Iloilo City     | 100% ownership                            | 1,510,000,000.00        |
| Two Global Center | Iloilo City     | 100% ownership                            | 1,045,000,000.00        |

\* The figures presented here are equivalent to 100% valuation of each of the properties based on the valuation reports that were used as basis for the property-for-shares swap transaction. For One West Campus and Five West Campus, the transfer of the 80% pro indiviso ownership was reflected in the purchase price. Please see part (b) of this report.

The properties were valued using the Income Approach.

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<sup>1</sup> Pursuant to Section 6.2 of the Amended Listing Rules for REITs

(b) Schedule of Properties as of 31 March 2023

| Property and Location               | Purchase Price  | Latest Appraisal* | Remaining Land Lease Term | Gross leasable area (GLA) | Leased Area | Occupancy Rate | Rental Income   | Gross Revenue   | Cost of Services | Gross Profit    |
|-------------------------------------|-----------------|-------------------|---------------------------|---------------------------|-------------|----------------|-----------------|-----------------|------------------|-----------------|
|                                     | in Php millions | in Php millions   | Years                     | in sqm                    | in sqm      | %              | in Php millions | in Php millions | in Php millions  | in Php millions |
| <b>Eastwood, Quezon City</b>        |                 |                   |                           |                           |             |                |                 |                 |                  |                 |
| 1800 Eastwood Avenue                | 6,948           | 7,026             | 48.1                      | 34,738                    | 34,128      | 98%            | 90.6            | 125.0           | 25.7             | 99.3            |
| 1880 Eastwood Avenue                | 6,749           | 6,798             | 48.1                      | 33,744                    | 26,228      | 78%            | 64.7            | 94.4            | 21.6             | 72.9            |
| E-Commerce Plaza                    | 4,188           | 4,276             | 48.1                      | 20,940                    | 18,834      | 90%            | 46.7            | 59.3            | 8.6              | 50.7            |
| <b>McKinley Hill, Taguig</b>        |                 |                   |                           |                           |             |                |                 |                 |                  |                 |
| One World Square                    | 7,529           | 7,343             | 48.1                      | 30,482                    | 30,223      | 99%            | 98.0            | 117.8           | 30.3             | 87.5            |
| Two World Square                    | 5,258           | 5,488             | 48.1                      | 21,286                    | 21,282      | 100%           | 66.5            | 86.4            | 17.3             | 69.1            |
| Three World Square                  | 5,241           | 4,799             | 48.1                      | 21,217                    | 21,003      | 99%            | 56.4            | 76.1            | 15.8             | 60.3            |
| 8/10 Upper McKinley                 | 4,925           | 4,633             | 48.1                      | 19,938                    | 19,938      | 100%           | 74.5            | 87.4            | 12.4             | 74.9            |
| 18/20 Upper McKinley                | 4,795           | 4,347             | 48.1                      | 19,414                    | 19,413      | 100%           | 55.1            | 65.4            | 9.9              | 55.5            |
| World Finance Plaza                 | 5,153           | 5,245             | 48.8                      | 25,067                    | 22,996      | 92%            | 76.9            | 90.9            | 13.4             | 77.5            |
| One West Campus**                   | 1,293           | 1,697             | 50.0                      | 9,704                     | 9,657       | 100%           | 19.3            | 23.3            | 5.0              | 18.4            |
| Five West Campus**                  | 1,507           | 1,895             | 50.0                      | 10,257                    | 10,257      | 100%           | 22.3            | 26.7            | 5.3              | 21.4            |
| <b>Iloilo Business Park, Iloilo</b> |                 |                   |                           |                           |             |                |                 |                 |                  |                 |
| Richmonde Tower                     | 2,062           | 1,392             | 48.1                      | 13,124                    | 13,124      | 100%           | 28.0            | 31.5            | 7.8              | 23.7            |

|                    |               |               |      |                |                |            |              |                |              |              |
|--------------------|---------------|---------------|------|----------------|----------------|------------|--------------|----------------|--------------|--------------|
| One Techno Place   | 1,509         | 1,166         | 48.1 | 9,549          | 9,041          | 95%        | 14.8         | 20.4           | 8.5          | 11.9         |
| Two Techno Place   | 1,465         | 1,448         | 48.8 | 10,809         | 10,809         | 100%       | 20.8         | 27.2           | 6.6          | 20.6         |
| Three Techno Place | 1,242         | 1,227         | 48.8 | 9,568          | 9,305          | 97%        | 16.8         | 23.1           | 5.9          | 17.2         |
| One Global Center  | 1,256         | 1,251         | 48.8 | 10,301         | 10,301         | 100%       | 18.6         | 25.4           | 8.1          | 17.4         |
| Festive Walk 1B    | 1,473         | 1,510         | 50.0 | 14,703         | 13,687         | 93%        | 24.2         | 32.3           | 8.5          | 23.7         |
| Two Global Center  | 1,001         | 1,045         | 50.0 | 9,903          | 9,903          | 100%       | 17.3         | 23.3           | 6.6          | 16.7         |
| <b>Total</b>       | <b>63,594</b> | <b>62,586</b> |      | <b>324,742</b> | <b>310,128</b> | <b>95%</b> | <b>811.5</b> | <b>1,035.9</b> | <b>217.3</b> | <b>818.6</b> |

\* Latest appraisal for 10 IPO Properties and 4 assets injected last December 2021, issued in 2023.

\*\* The purchase price indicated in this report for these properties represent the price of the 80% pro indiviso ownership transferred to the Company pursuant to the Deed of Exchange of Property for Shares dated 5 April 2022. See part (a) of this report.

- (c) The comparative summary of the Company's financial performance for various time periods can be found in the SEC Form 17-Q and in the Unaudited Financial Statements for the first quarter of 2023.
- (d) As of the date of this report, the Company has no Reinvestment Plan that is on-going implementation. The following Reinvestment Plans of Megaworld Corporation, the Company's Sponsor, were fully implemented as of the dates mentioned below:

| Relevant Transaction  | Date of Reinvestment Plan                       | Date of Full Compliance |
|---|---|-------------------------|
| Secondary Offer by Megaworld Corporation of 844,300,000 Common Shares of MREIT, Inc. on 1 October 2021                              | 9 September 2021;<br>Amended as of 9 March 2022 | 30 September 2022       |
| Sale by Megaworld Corporation to MREIT, Inc. of Four Prime, Grade A buildings located in PEZA-registered Zones for Php9.116 billion | 17 December 2021;<br>Amended as of 9 March 2022 | 19 December 2022        |