

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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ATTY. KARREN MAE C. DE CHAVEZ-REODICA

Contact Person

(632) 8894-6300/6400

Company Telephone Number

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Month Day
Fiscal Year

0	6	0	2
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Month Day
Annual Meeting

S	E	C		F	O	R	M		1	7	-	A																									
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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

File Number

LCU

Document I.D.

Cashier

STAMPS

Remaks = Pls. use black ink for scanning purposes

PSE Security Code _____
SEC Number CS202052294
File Number _____

MREIT, INC.

(Company's Full Name)

**18TH FLOOR ALLIANCE GLOBAL TOWER, 36TH STREET CORNER
11TH 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. **18th Floor, Alliance Global Tower, 36th Street cor.
11th 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
Common	2,532,121,381

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

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.

Yes **No**

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

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 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).

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:

Year		Q1	Q2	Q3	Q4
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 2022.¹

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

¹ 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
Total		Php0.9777

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:

	December 31, 2022	December 31, 2021
Current Ratio ¹	2.52	3.43
Debt to Equity Ratio ²	0.15	0.14
Net Debt to Equity Ratio ³	0.13	0.11
	December 31, 2022	December 31, 2021
Return on Assets ⁴	-0.30%	3.57%
Return on Equity ⁵	-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/ Decrease	% 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 (12 Months)	Increase/ Decrease	% 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 (12 Months)	Increase/ Decrease	% 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 ¹	3.43	9.51
Debt to Equity Ratio ²	0.14	-
Net Debt to Equity Ratio ³	0.11	-
Return on Assets ⁴	3.57%	1.26%
Return on Equity ⁵	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 ²	Increase due to the interest-bearing loan secured from a local bank to partially finance the acquisition of the four office assets

² 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.

Name	Age	Citizenship	Position
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.

Name	Age	Citizenship	Position
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 ³	42	Filipino	Compliance Officer and DPO
Caroline Kabigting ⁴	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

³ Resigned and replaced effective 3 January 2023.

⁴ 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 Jollville 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. Sereno⁵
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 Kabigting⁶
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.

⁵ Resigned from the Company effective 3 January 2023.

⁶ 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 President and CEO				
Giovanni C. Ng Treasurer				
Maria Carla T. Uykim Corporate Secretary				
Englebert G. Teh Chief Financial Officer				
Cheryll B. Sereno Compliance Officer and DPO				
President and 4 Most Highly Compensated Officers	Actual 2021 ⁷	Php5.20m	Php1.075m	P6.275m
	Actual 2022	Php7.3m	Php1.53m	Php8.96

⁷ 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 ⁸	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 ⁹		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.

⁸ Officers' compensation for 6 months (from July to December 2021).

⁹ 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 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634 Parent/Sponsor	Megaworld Corporation ¹⁰	Filipino	1,572,282,881	62.09%
Common	PCD Nominee Corp. (Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers. ¹¹	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	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership*	Citizenship	Percent of Class
Directors/Nominees				
Common	Francisco C. Canuto ¹²	1,000 (Direct)	Filipino	0.0000%
Common	Kevin Andrew L. Tan ¹³	9,995,000 (Direct)	Filipino	0.3900%
Common	Katherine L. Tan	1,000 (Direct)	Filipino	0.0000%
Common	Lourdes T. Gutierrez-Alfonso ¹⁴	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

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

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

¹² Shares are lodged with PCD Nominee Corporation.

¹³ Shares are lodged with PCD Nominee Corporation.

¹⁴ Shares are lodged with PCD Nominee Corporation.

Title of Class Name of Beneficial Owner		Amount and Nature of Beneficial Ownership*	Citizenship	Percent of Class
Other Executive Officers				
Common	Caroline Kabigting ¹⁵	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

¹⁵ 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 ¹⁶	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 ¹⁷	From 1 July 2023, rent equivalent to, as applicable: <ul style="list-style-type: none"> a. 2.5% of the Company's gross rental income for office and retail properties; and b. 1.5% of the Company's hotel rental/revenues for hotel properties.

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

¹⁷ 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 th 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 www.manilastandard.net
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

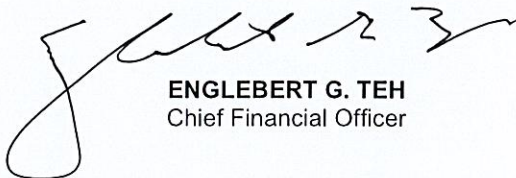
Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Taguig City, on 17 April 2023.

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:

<u>Name</u>	<u>TIN No.</u>
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



Your BIR AFS eSubmission uploads were received

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

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- <None>

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

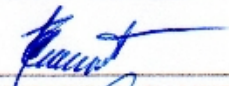
The management of **MREIT, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and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

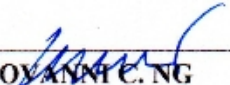
Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion 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

18th Floor Alliance Global Tower 36th St. cor. 11th 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

Ramos
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
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PTR NO. MKT 9562350/01 03 2023/Makat. City
MCLE Compliance No. VII 0020180/04-14-2025



P&A
Grant Thornton

FOR SEC FILING

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

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

T +63 2 8988 2288

The Board of Directors

MREIT, Inc.

(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.

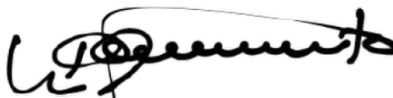
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation 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)

	Notes	2022	2021
<u>A S S E T S</u>			
CURRENT ASSETS			
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		1,912,786,391	1,493,186,744
NON-CURRENT ASSETS			
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		56,577,530,430	59,372,000,819
TOTAL ASSETS		P 58,490,316,821	P 60,865,187,563
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
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		760,062,625	435,200,145
NON-CURRENT LIABILITIES			
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		8,212,025,103	8,268,665,340
Total Liabilities		8,972,087,728	8,703,865,485
EQUITY			
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		49,518,229,093	52,161,322,078
TOTAL LIABILITIES AND EQUITY		P 58,490,316,821	P 60,865,187,563

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	<u>December 31, 2022</u> <u>(One Year)</u>	<u>December 31, 2021</u> <u>(Six Months)</u>	<u>June 30, 2021</u> <u>(Six Months)</u>
REVENUES				
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
COST OF SERVICES				
	12	<u>676,211,193</u>	<u>222,987,792</u>	<u>20,469,415</u>
GROSS PROFIT				
		2,972,556,065	1,237,725,856	206,725,993
OTHER OPERATING EXPENSES				
	13	<u>37,400,283</u>	<u>9,630,912</u>	<u>18,761,149</u>
OPERATING PROFIT				
		<u>2,935,155,782</u>	<u>1,228,094,944</u>	<u>187,964,844</u>
OTHER INCOME (CHARGES)				
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
PROFIT (LOSS) BEFORE TAX				
		(172,204,712)	1,914,636,234	426,790,878
TAX INCOME (EXPENSE)				
	14	(4,348,835)	99,579,952	(101,284,451)
NET PROFIT (LOSS)				
		(176,553,547)	2,014,216,186	325,506,427
OTHER COMPREHENSIVE INCOME				
		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
		<u>(P 176,553,547)</u>	<u>P 2,014,216,186</u>	<u>P 325,506,427</u>
BASIC AND DILUTED EARNINGS				
(LOSS) PER SHARE	17	<u>(P 0.07)</u>	<u>P 0.80</u>	<u>P 0.13</u>

* 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 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
CAPITAL STOCK				
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>
ADDITIONAL PAID-IN CAPITAL				
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>
RETAINED EARNINGS (DEFICIT)				
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>
TOTAL EQUITY		<u>P 49,518,229,093</u>	<u>P 52,161,322,078</u>	<u>P 50,754,815,023</u>

* 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 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
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		<u>2,780,620,961</u>	<u>1,552,973,207</u>	<u>1,081,736,735</u>
CASH FLOW FROM AN INVESTING ACTIVITY				
Acquisition of investment properties	6	-	(9,116,000,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
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
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		46,720,453	(975,110,924)	2,308,916,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>1,333,805,607</u>	<u>2,308,916,531</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>P 1,380,526,060</u>	<u>P 1,333,805,607</u>	<u>P 2,308,916,531</u>

* 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 Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition 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	P 724,400,562	P	832,127,010
Short-term placements	<u>656,125,498</u>		<u>501,678,597</u>
	<u>P 1,380,526,060</u>	P	<u>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>P 309,841,031</u>	<u>P 144,677,676</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, 2021	June 30, 2021
	<u>(One Year)</u>	<u>(Six Months)</u>	<u>(Six Months)</u>
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)	<u>(2,822,000,000)</u>	<u>702,000,000</u>	<u>240,592,380</u>
Balance at end of period	<u>P 56,349,000,000</u>	<u>P 59,261,000,000</u>	<u>P 44,443,000,000</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., Iloilo Business Park, Manduriao Iloilo City	100%
Festive Walk 1B, Lot 5 Buhang Taft North Mandurriao, Iloilo City	100%
One West Campus, 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso
Five West Campus, 15 Le Grand Avenue, McKinley West, 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	P 156,894,776	P 24,595,487
Creditable withholding taxes	78,876,441	35,522,343
Deferred input value added tax (VAT)	<u>32,537,899</u>	<u>11,144,521</u>
	<u>268,309,116</u>	<u>71,262,351</u>
Non-current:		
Deferred charges	56,033,405	41,737,454
Security deposit	19,488,462	12,704,475
Other non-current asset	<u>17,118,747</u>	<u>-</u>
	<u>92,640,614</u>	<u>54,441,929</u>
	<u>P 360,949,730</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	P 411,064,691	P 84,743,687
Accrued expenses	15.3	53,027,572	54,791,622
Output VAT payable		9,406,429	5,958,108
Interest payable	10	8,055,636	7,995,219
Withholding taxes payable		6,076,519	7,083,822
Deferred output VAT		4,524,528	11,618,604
Others		1,832,948	281
		<u>P 493,988,323</u>	<u>P 172,191,343</u>

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

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

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

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

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

	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Office	P 2,685,516,839	P 1,106,101,576	P 180,906,954
Commercial	131,765,294	45,839,766	6,715,759
Hotel	56,400,000	28,200,000	4,700,000
Advertising	4,447,035	185,294	-
Parking	1,293,968	629,980	102,710
Amortization of deferred credits	<u>38,362,549</u>	<u>16,541,045</u>	<u>2,618,809</u>
	<u>P 2,917,785,685</u>	<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:

	Notes	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Management fees	15.3	P 200,682,199	P 63,807,804	P -
Outside services		178,224,665	79,955,625	9,308,668
Utilities		134,251,052	54,410,175	4,370,148
Repairs and maintenance		82,949,835	2,469,379	2,966,060
Supplies and materials		28,689,642	2,581,208	-
Taxes and licenses		24,567,523	11,434,498	3,485,621
Insurance		11,742,529	4,282,156	-
Miscellaneous	8	15,103,748	4,046,947	338,918
		<u>P 676,211,193</u>	<u>P 222,987,792</u>	<u>P 20,469,415</u>

13. OTHER OPERATING EXPENSES

Presented below are the details of other operating expenses.

	Note	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Taxes and licenses		P 18,555,936	P 2,967,914	P 17,017,937
Professional fees		5,942,958	1,069,812	444,500
Outside services	15.6	5,469,780	3,376,257	1,100,342
Advertising and promotion		3,829,094	920,130	-
Salaries and employee benefits		3,111,376	197,218	37,500
Office supplies		47,647	692,044	3,630
Depreciation		25,661	-	-
Transportation and travel		18,421	-	-
Miscellaneous		399,410	407,537	157,240
		<u>P 37,400,283</u>	<u>P 9,630,912</u>	<u>P 18,761,149</u>

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:

	2022 <u>(One Year)</u>	December 31, 2021 <u>(Six Months)</u>	June 30, 2021 <u>(Six Months)</u>
Current tax expense - Final tax at 20%	P 4,348,835	P 1,588,771	P 115,727
Deferred tax expense (income) Related to origination and reversal of temporary differences	<u>-</u>	<u>(101,168,723)</u>	<u>101,168,724</u>
	<u>P 4,348,835</u>	<u>(P 99,579,952)</u>	<u>P 101,284,451</u>

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.

	2022 <u>(One Year)</u>	December 31, 2021 <u>(Six Months)</u>	June 30, 2021 <u>(Six Months)</u>
Tax on pre-tax profit (loss) at 25%	(P 43,051,178)	P 478,659,059	P 106,697,720
Adjustment for income subjected to lower tax rates	(1,156,977)	(410,548)	(28,931)
Unrecognized deferred taxes	665,942,389	-	-
Tax effects of:			
Deductible dividend distribution	(618,470,648)	-	-
Non-deductible expenses	10,930,654	4,573,933	634,669
Non-taxable income	(9,845,406)	(194,301,013)	(669,305)
Deductible expenses	-	(280,417,757)	(3,203,301)
Excess of optional standard deductions (OSD) over itemized deductions	-	(6,514,902)	-
Reversal of deferred tax liabilities	-	(101,168,724)	-
Application of unrecognized NOLCO	<u>-</u>	<u>-</u>	<u>(2,144,401)</u>
	<u>P 4,348,835</u>	<u>(P 99,579,952)</u>	<u>P 101,284,451</u>

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, *Bayaniban 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 Category	Notes	Amounts of Transactions			Outstanding Receivable (Payable)	
		2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)	2022	2021
Parent Company:						
Purchase of properties	6	P -	P9,116,000,000	P -	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)	-	-
Related parties under common Ownership:						
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)
Key management personnel – Compensation						
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, 2022	December 31, 2021	June 30, 2021	December 31, 2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (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 resulting to loss	2,822,000,000
Unrealized gains or adjustments to income as a result of certain transactions accounted for under PFRS	(121,191,720)
Adjustments due to any prescribed accounting standard which result to a loss	<u>1,939,137</u>
Distributable income	<u>P 2,526,193,870</u>

17. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share amounts were computed as follows:

	<u>2022</u> <u>(One Year)</u>	December 31, 2021 <u>(Six Months)</u>	June 30, 2021 <u>(Six Months)</u>
Net profit (loss) for the period	(P 176,553,547)	P 2,014,216,186	P 325,506,427
Divided by weighted number of outstanding common shares	<u>2,532,121,381</u>	<u>2,532,121,381</u>	<u>2,532,121,381</u>
Basic and diluted earnings (loss) per share	<u>(P 0.07)</u>	<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.

	<u>2022</u>	<u>2021</u>
Within one year	P 2,981,191,290	P 2,911,615,030
After one year but not more than two years	2,497,739,835	2,876,435,530
After two years but not more than three years	1,875,531,163	2,090,182,820
After three years but not more than four years	1,111,478,803	1,424,419,672
After four years but not more than five years	657,254,881	749,643,195
More than five years	<u>2,778,752,188</u>	<u>2,946,449,745</u>
	<u>P 11,901,948,160</u>	<u>P 12,998,745,992</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).

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	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	4	P 1,380,526,060	P 1,333,805,607
Trade and other receivables	5	309,841,031	144,677,676
Security deposit	7	<u>19,488,462</u>	<u>12,704,475</u>
		<u>P 1,709,855,553</u>	<u>P 1,491,187,758</u>

(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 Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
As of December 31, 2022	<u>P 309,841,031</u>	<u>P 1,192,694,675</u>	<u>P -</u>
As of December 31, 2021	<u>P 144,677,676</u>	<u>P 1,225,744,536</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.

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.

	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>More than 5 Years</u>
<u>December 31, 2022</u>			
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>
	<u>P 913,108,674</u>	<u>P 1,623,320,172</u>	<u>P 8,307,994,764</u>
<u>December 31, 2021</u>			
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>
	<u>P 422,045,071</u>	<u>P 1,687,282,519</u>	<u>P 8,639,259,764</u>

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.

	Notes	2022		2021	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
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	19,488,462	19,488,462	12,704,475	14,998,475
		<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>
Financial liabilities					
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	8,055,636	8,055,636	7,995,219	7,995,219
		<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	P 8,972,087,278	P 8,703,865,485
Total equity	49,518,229,093	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
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
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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

Schedule	Content	Page No.
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable/Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Long-term Debt	4
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	5
F	Guarantees of Securities of Other Issuers	6
G	Capital Stock	7

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 Designation of Debtor</i>	<i>Balance at Beginning of Period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Current</i>	<i>Not Current</i>	<i>Balance at End of Period</i>
			<i>Amounts Collected</i>	<i>Amounts 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 Obligation</i>	<i>Amount Authorized by Indenture</i>	<i>Amount shown under Caption "Interest-bearing loan" in related Balance Sheet</i>	<i>Amount shown under Caption "Interest-bearing loan" in 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>Name of Related Party</i>	<i>Balance at Beginning of Period</i>	<i>Balance at End of Period</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

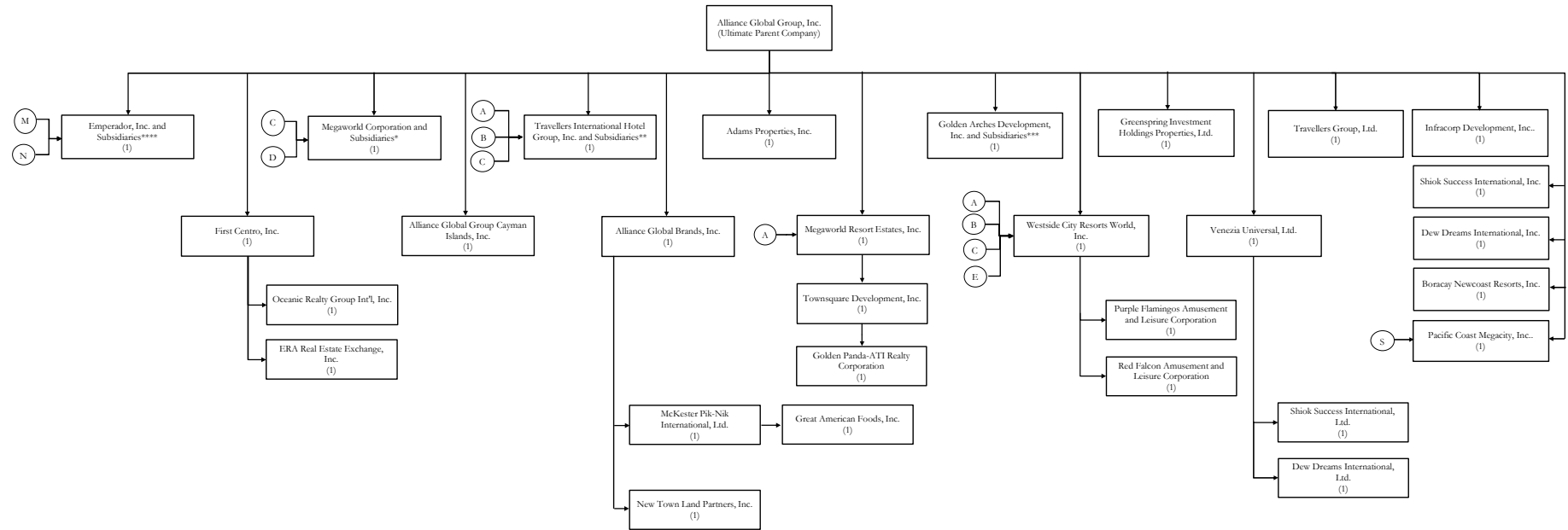
**Reconciliation of Retained Earnings Available for Dividend Declaration
 For the Year Ended December 31, 2022**

Unappropriated Retained Earnings at Beginning of the Period	P	1,721,734,662
Prior Period Outstanding Reconciling Items:		
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)	(	<u>377,155)</u>
	(	<u>916,051,502)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period, as Adjusted		805,683,160
Net Profit Realized during the period		
Net loss per audited financial statements	(	176,553,547)
Non-actual/unrealized income		
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
Dividends declared during the period	(	<u>2,466,539,438)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Period	P	<u>865,337,592</u>

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc. and its Related Parties

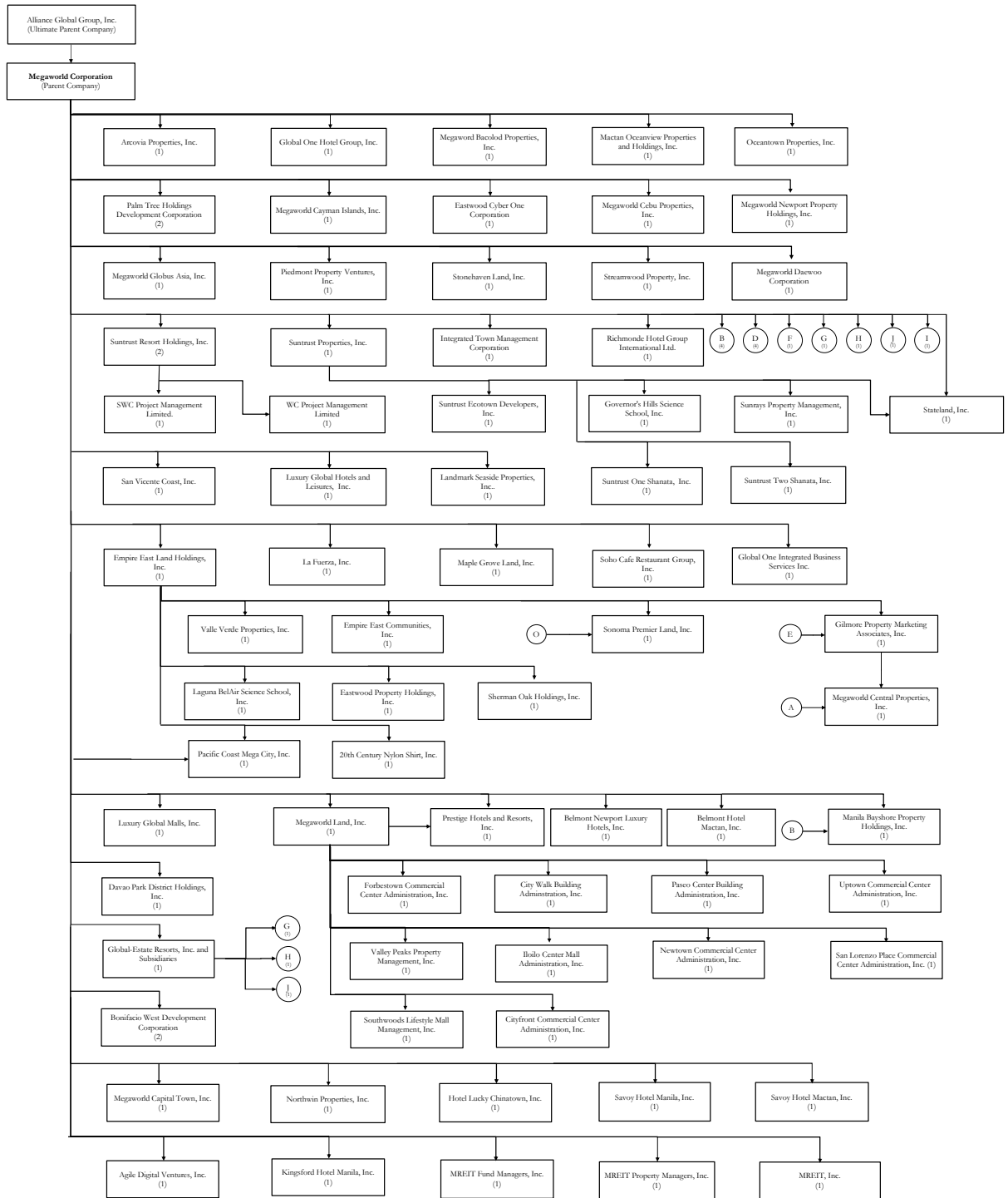
December 31, 2022



Legend			
(1) Subsidiary	A Megaworld Corporation	F Manila Bayshore Property Holdings, Inc.	K Megaworld Global Estates, Inc.
(2) Associate	B Adams Properties, Inc.	G Westside City Resorts World, Inc.	L Megaworld Central Properties, Inc.
(3) Jointly Controlled Entity	C First Centro, Inc.	H Townsquare Development, Inc.	M Shioh Success International, Ltd.
	D Newtown Land Partners, Inc.	I Megaworld Resort Estates, Inc.	N Dew Dreams International, Ltd.
	E Travellers International Hotel Group, Inc.	J Twin Lakes Corporation	O Southwoods Mall, Inc.
			P Sonoma Premier Land, Inc.
			Q Gilmore Property Marketing Associates, Inc.
			R Emperor Inc.
			S Empire East Land Holdings, Inc.
			T Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
December 31, 2022



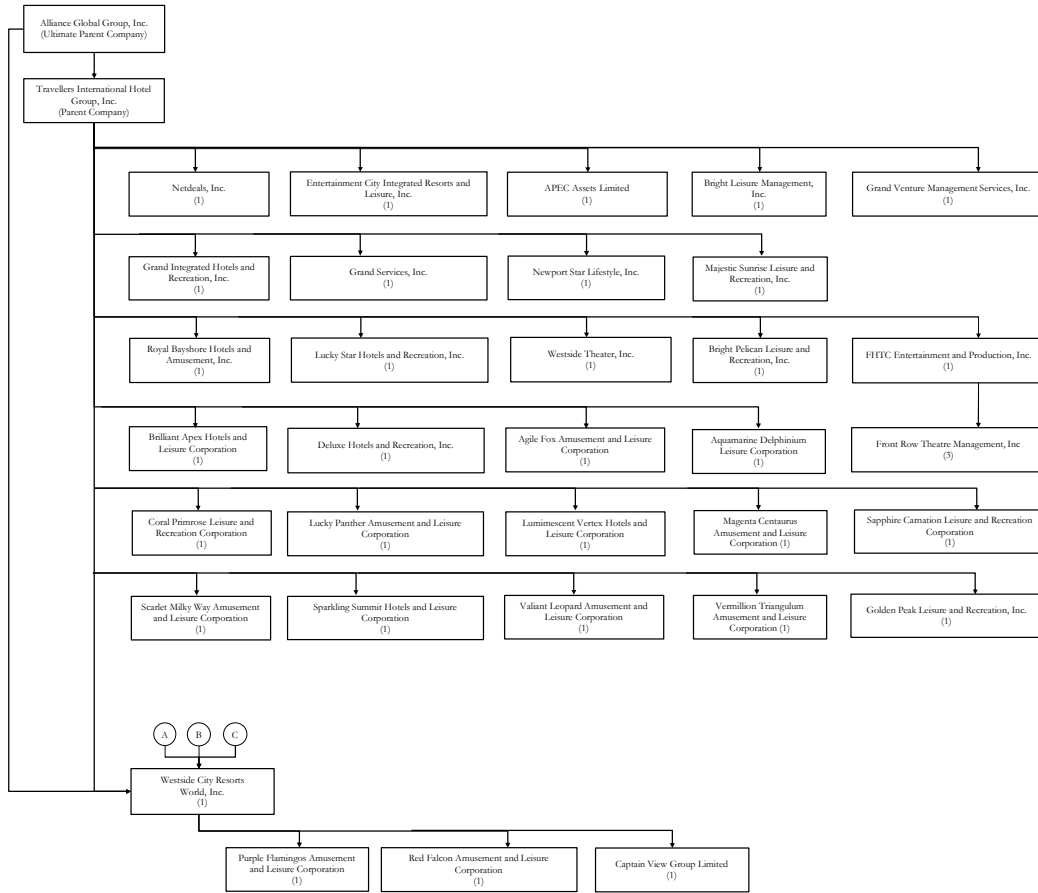
Legend

Relationship with Megaworld Corporation

- (1) Subsidiary
- (2) Associate
- (3) Jointly Controlled Entity
- (4) FVOCI

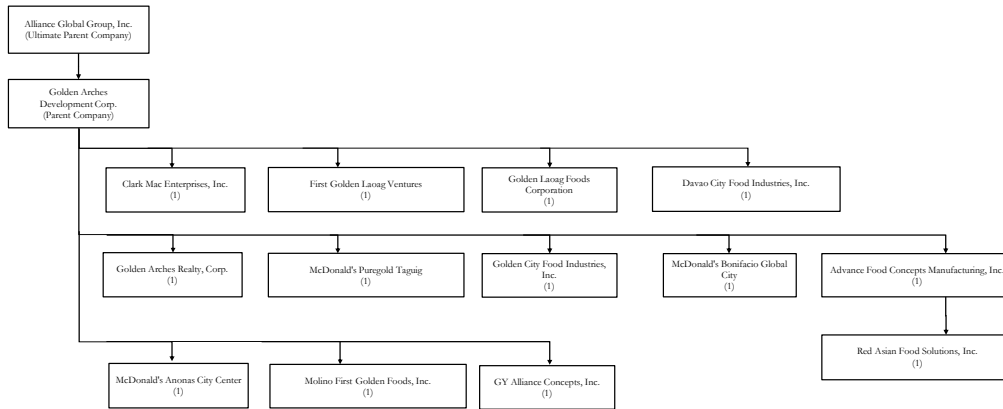
- | | | | |
|---|----------------------------------|---|-----------------------------------|
| A Megaworld Corporation | E Townsquare Development, Inc. | I Megaworld Central Properties, Inc. | M Empire East Land Holdings, Inc. |
| B Travellers International Hotel Group, | F Megaworld Resort Estates, Inc. | J Southwoods Mall, Inc. | N Suntrust Resort Holdings, Inc. |
| C Manila Bayshore Property Holdings, I | G Twin Lakes Corporation | K Sonoma Premier Land, Inc. | O First Centro, Inc. |
| D Westside City Resorts World, Inc. | H Megaworld Global Estates, Inc. | L Gilmore Property Marketing Associates, Inc. | |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Travellers Group
 December 31, 2022



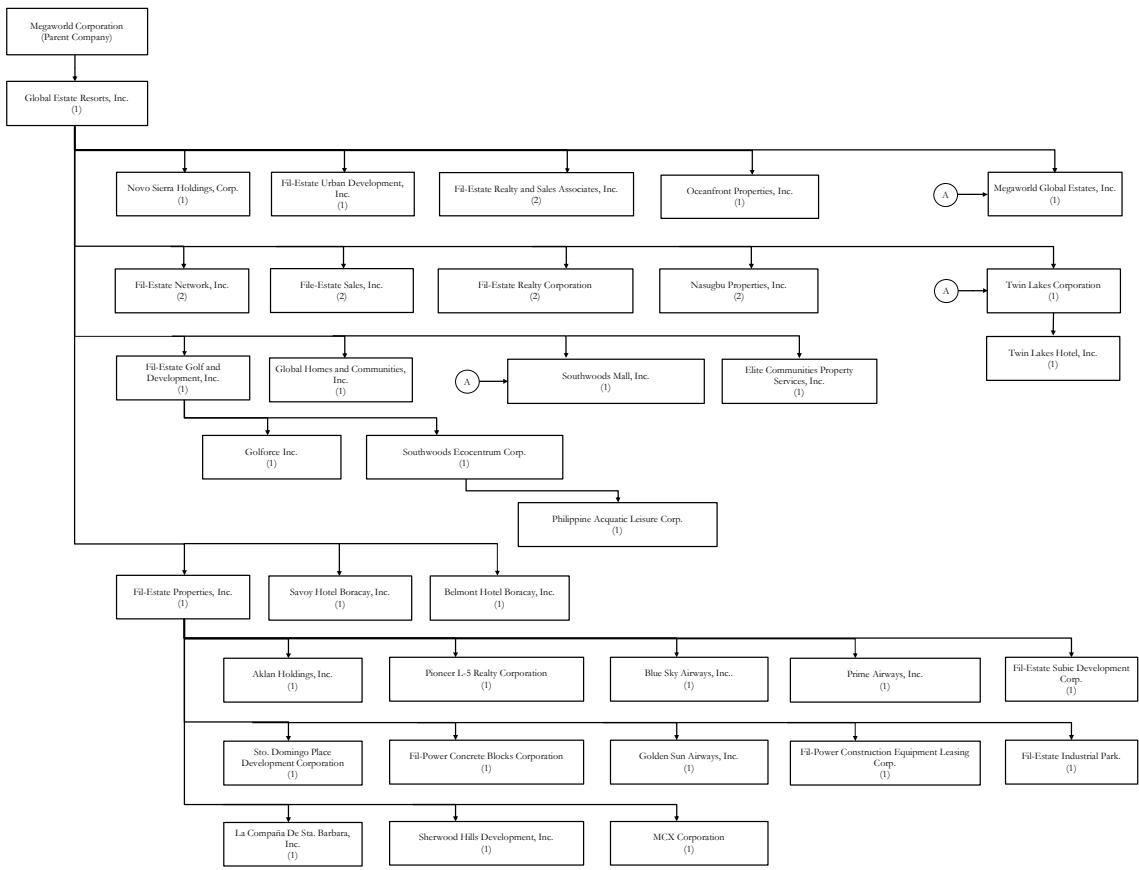
Legend	
Relationship with Travellers International Hotel Group, Inc.	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore 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	Sialak Success International, Ltd.
N	Drew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sosoma 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



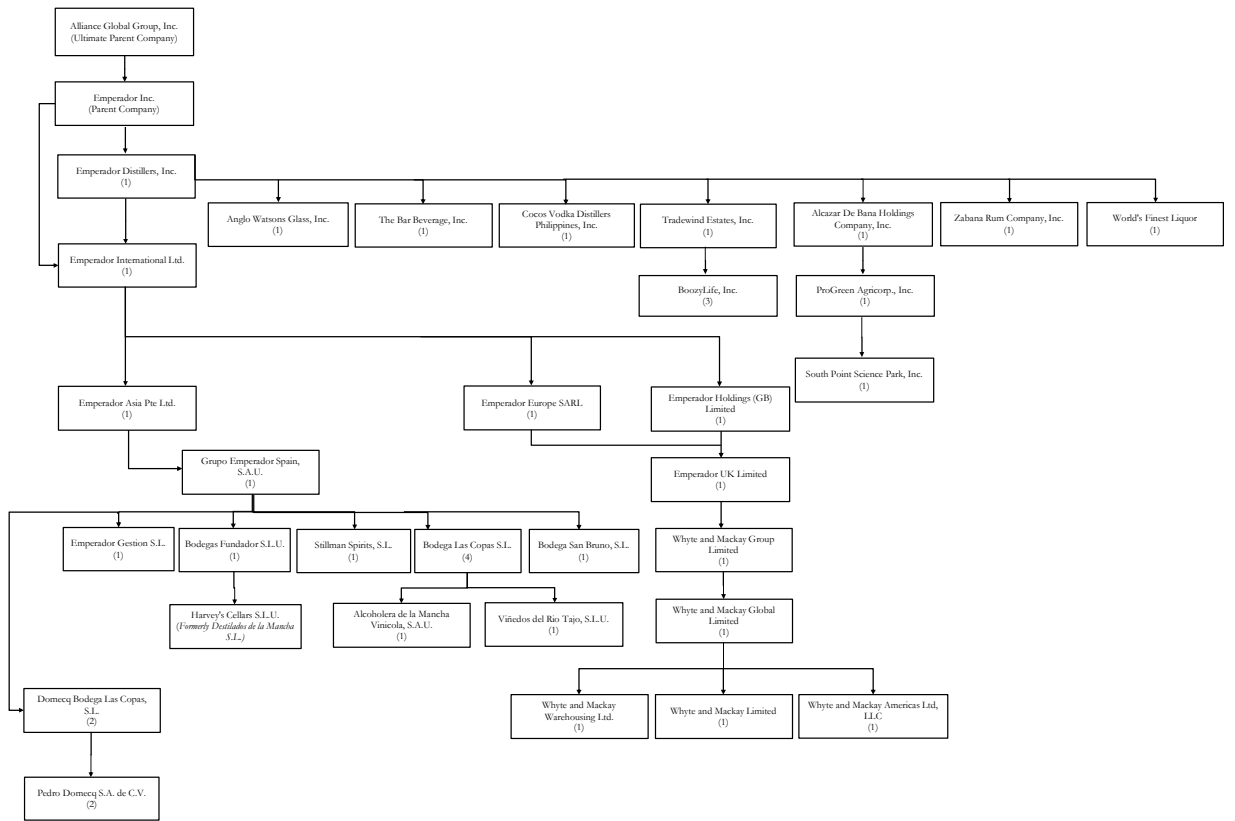
Legend	
<i>Relationship with Golden Arches Development Corporation</i>	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travelers International Hotel Group, Inc.
F	Manila Bayshore 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	Shok Success International, Ltd.
N	Devo 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



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Century, 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	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Empendor, Inc.
T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Emperor Group
 December 31, 2022



Legend
 Relationship with Emperor Inc.
 (1) Subsidiary (100%)
 (2) Subsidiary (50%)
 (3) Subsidiary (51%)
 (4) Jointly Controlled Entity



Report of Independent Auditors on Components of Financial Soundness Indicators

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The Enterprise Center
6766 Ayala Avenue
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Philippines

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**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 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (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"> - MREIT's Anti-Harassment Policy - MREIT's Policy on Health, Safety and Welfare of Employees - Megaworld Corporation's Policy for Supporting Breastfeeding Employees - Megaworld Corporation's Policy supporting the Magna Carta for Women - Megaworld Corporation's Policy in support of the Family Welfare Act - Megaworld Corporation's Special Leave Benefits for Women Employees - Megaworld Corporation's Workplace policy and program on Hepatitis B - Megaworld Corporation's Anti-discrimination policy

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	productivity in the workplace. 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.
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><u>SDG 1: No Poverty</u> Provides indirect employment opportunities to local communities where the properties are located</p> <p><u>SDG 3: Good Health and Well-being</u> Safety seals for all MREIT properties; IMMUNE Certification for two of MREIT's properties</p> <p><u>SDG 5: Gender Equality</u> Equal opportunities in employment, skills training, and career advancement</p> <p><u>SDG 7: Affordable and Clean Energy</u> Adapting DOE's Energy Efficiency Program</p> <p><u>SDG 8: Decent work and Economic Growth</u> indirect employment through its tenants</p> <p><u>SDG 10: Reduced Inequalities</u> 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*,²⁰ 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.sdg.biz.ph.

Disclosures for REIT Companies¹

(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
Eastwood, Quezon City 1800 Eastwood Avenue	6,948	7,026	23.5 + 25	34,738	34,704	100%	379.4	496.5	92.1	404.4

¹ 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
McKinley Hill, Taguig										
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
Iloilo Business Park, Iloilo										
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
Total	58,318	56,439		280,175	267,407	95%	2,917.8	3,648.8	676.0	2,972.8

*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; 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; Amended as of 9 March 2022	19 December 2022